

# Stewardship and Development

## Stewardship and Development

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## Contents

INTRODUCTION.....	5
THE INDIVIDUAL AND THE FUNDS.....	6
Every Undertaking Dependent on Material Means.....	6
Giving is a Spiritual Act.....	6
Importance of Universal Participation.....	7
Importance of Sacrifice, Not Amount.....	7
Should Not Incur Debts for Purpose of Contributing to Fund.....	8
Only Registered Members of Community Can Contribute.....	8
Can Recipient of Public Charity Contribute to the Bahá'í Fund?.....	8
Contributor Encouraged to Make Unrestricted Gifts.....	8
Contributing Directly to All the Funds.....	9
THE ASSEMBLY AND THE FUNDS.....	10
Responsibility of Assembly to Educate.....	10
The Treasury is the Responsibility of the Entire Assembly.....	10
Treasurer Held Responsible for Contributions.....	11
Assistance for the Treasurer.....	11
Contributions from Young People.....	12
Assembly Must Determine Whether Gift Supports Budget or is Separate.....	13
Accounting for Earmarked Contributions.....	13
When Earmarking Instruction Cannot Be Observed.....	14
EFFECTIVE STEWARDSHIP OF THE FUNDS.....	18

## Stewardship and Development

Treasurer’s Basics .....	18
Some Guidelines for Treasurers .....	42
Confidentiality of Information .....	43
<b>BUDGETS, GOALS, AND AUDITS .....</b>	<b>45</b>
Preparing a Budget .....	45
Who Prepares the Budget and When? .....	45
Set Goals for Contributions to the Various Funds .....	46
Contribute Regularly to All Bahá’í Funds .....	46
Use the Budget as a Guide .....	47
The Annual Audit .....	47
Preparing for the Audit .....	47
Who Are the Auditors and What Do They Do? .....	48
What if the Books Don’t Balance? .....	48
What about Confidentiality? .....	49
Audit for Larger Communities .....	49
Preparation of a Will .....	50
Planned Giving .....	51
Estate Planning and Planned Giving Resources from the Office of the Treasurer .....	51
Importance of the Will and Testament .....	52
<b>APPENDIX: Banking Relationship Policy .....</b>	<b>54</b>

# INTRODUCTION

The first publication of its kind in the US in the late 1970s, *Stewardship and Development* presents an in-depth treatment of the spiritual foundations of the Fund, as well as basic accounting methods that are crucial for the trustees of the Treasury.

This edition of the manual has been prepared especially for publication online, and has been updated with information on how the Bahá'í community and its Assemblies may use software to make and manage contributions to the Fund and enhance their bookkeeping practices. The guidance contained herein reflects the technological, financial and legal environment of the 21<sup>st</sup> century.

Office of the Treasurer

2021

# THE INDIVIDUAL AND THE FUNDS

## Every Undertaking Dependent on Material Means

“Bahá’u’lláh has written that, ‘... He who is the Eternal Truth—exalted be His glory—hath made the fulfillment of every undertaking on earth dependent on material means.’ The community of the Greatest Name is in this day embarked upon the mightiest of undertakings destined to give rise to the spiritualization of mankind and the transformation of human society. Its needs should not, and indeed will not, be met only by the contributions from believers resident in those countries now enjoying a relatively high standard of living; rather should every follower of Bahá’u’lláh, undeterred by the meagerness of his material resources, resolve to offer his share for the work of the Faith.”

The Universal House of Justice, September 17, 1992

## What Effect Does Giving to the Fund Have on the World?

“... our contributions to the Faith are the surest way of lifting once and for all time the burden of hunger and misery from mankind, for it is only through the system of Baha’u’llah Divine in origin that the world can be gotten on its feet and want, fear, hunger, war, etc., be eliminated. Non-Bahá’ís cannot contribute to our work or do it for us; so really our first obligation is to support our own teaching work as this will lead to the healing of the nations.”

Letter written on behalf of Shoghi Effendi, dated December 8, 1947, to an individual believer, in *Lights of Guidance*, par. 413

“The more we study the present condition of the world, the more deeply we become convinced that there just cannot be any way out of its problems except the way of God, as given by Him, through Bahá’u’lláh. The early Persian Bahá’ís gave their lives for the Cause; the Western believers have been spared this necessity, but their comfort, to some extent; they must sacrifice if they are going to discharge their moral obligation to a tortured humanity, and bring to it the message of the Father. Once the friends start out to win the goals set in their Plan, they will find the Divine confirmation sustaining them and hastening its consummation.”

Shoghi Effendi, *Unfolding Destiny*, pp. 177-178

## Giving is a Spiritual Act

“Giving to the Fund, therefore, is a spiritual privilege, not open to those who have not accepted Bahá’u’lláh, of which no believer should deny himself. It is both a responsibility and a source of bounty. This is an aspect of the Cause which, we feel, is an essential part of the basic teaching and deepening of new believers. The importance of contributing resides in the degree of sacrifice of the giver, the spirit of devotion with which the contribution is made and the unity of the friends in this

## Stewardship and Development

service; these attract the confirmations of God and enhance the dignity and self-respect of the individuals and the community.”

Letter from the Universal House of Justice, dated August 7, 1985, to all National Spiritual Assemblies

“Contributing to the Bahá’í fund constitutes an act of spiritual discipline which is an intrinsic element of the devotional life of the individual. No believer should be unaware of the privilege of contributing to the advancement of the Cause of God, irrespective of his material circumstances. The practice of giving to the Fund strengthens the connection between the believer and the Cause and enhances his sense of identification with it. Divine confirmations redound upon those who offer a portion of their material resources in a spirit of sacrifice, motivated by their love of the Faith and their desire to assist in its progress.”

The Universal House of Justice, September 17, 1992

### **Importance of Universal Participation**

“In addition to teaching, every believer can pray. Every believer can strive to make his ‘own inner life and private character mirror forth in their manifold aspects the splendor of those eternal principles proclaimed by Bahá’u’lláh.’ Every believer can contribute to the Fund. Not all believers can give public talks, not all are called upon to serve on administrative institutions. But all can pray, fight their own spiritual battles, and contribute to the Fund. If every believer will carry out these sacred duties, we shall be astonished at the accession of power which will result to the whole body, and which in its turn will give rise to further growth and the showering of greater blessings on all of us.”

Letter from the Universal House of Justice, dated September 1964, to the Bahá’ís of the World

### **Importance of Sacrifice, Not Amount**

“Contributing to the Fund is a service that every believer can render, be he poor or wealthy; for this is a spiritual responsibility in which the amount given is not important. It is the degree of the sacrifice of the giver, the love with which he makes his gift, and the unity of all the friends in this service which bring spiritual confirmations. ...”

Letter from the Universal House of Justice, dated December 18, 1963, to the Bahá’ís of East and West

“The overwhelming majority of the Bahá’ís in the world are poor people, but it is to the believers, and to the believers alone, that Bahá’u’lláh has given the bounty of contributing the material things of this world for the progress of His Faith. It is not the amount of the contribution which is important, but the degree of self-sacrifice that it entails—for it is this that attracts the confirmations of God.”

Letter from the Universal House of Justice, dated April 13, 1975, to all National Spiritual Assemblies receiving assistance from the Bahá’í International Fund, in *Lights of Guidance*, par. 841

## **Should Not Incur Debts for Purpose of Contributing to Fund**

“Even though Shoghi Effendi would urge every believer to sacrifice as much as possible for the sake of contributing towards the fund of the National Assembly, yet he would discourage the friends to incur debts for that purpose. We are asked to give what we have, not what we do not possess, especially if such an act causes suffering to others. In such matters we should use judgment and wisdom and take into our confidence other devoted Bahá’ís.”

Letter written on behalf of the Universal House of Justice, dated May 4, 1932, to an individual believer, in *Lights of Guidance*, par. 842

## **Only Registered Members of Community Can Contribute**

“... Since only those who have openly proclaimed their recognition of Bahá’u’lláh are permitted to contribute financially to the establishment of His world order, it is apparent that more, much more, is required from the few now so privileged. Our responsibilities in this field are very great, commensurate indeed with the bounty of being the bearers of the Name of God in this Day.”

Message from the Universal House of Justice, dated Ridván 1966, to the Bahá’ís of the World

## **Can Recipient of Public Charity Contribute to the Bahá’í Fund?**

“Concerning your question whether a person is to contribute to the Bahá’í Fund when he obtains his means of livelihood through public charity. Practically this is impossible, for a person who is so dependent upon the community cannot be of much help to others. Generally he does not have sufficient even for himself alone. In principle however, this is a secondary issue. Donations to the Cause are free. It is for every person to judge for himself whether he is in a position to contribute and whether he desires to do it; how he has obtained that sum is immaterial. A poor person may be readier than a rich man in sharing with others, and if he does, his sacrifice would be greater. A rich man’s gift may not be a sacrifice, but a poor man’s is sure to be.”

Letter written on behalf of Shoghi Effendi, dated March 9, 1932, to an individual believer, in *Lights of Guidance*, par. 856

## **Contributor Encouraged to Make Unrestricted Gifts**

“Regarding your question about contributions: it is up to the individual to decide; if he wishes to donate a sum for a specific purpose, he is free to do so; but the friends should recognize that too much labeling of contributions will tie the hands of the Assembly and prevent it from meeting its many obligations in various fields of Bahá’í activity.”

Letter from Shoghi Effendi, dated June 23, 1950, to the National Spiritual Assembly of Canada, in *Messages to Canada*, p. 14



## **Contributing Directly to All the Funds**

“In educating the friends to be conscious of contributing to the fund as a fundamental element of Bahá’í life, the Assembly should make them aware of the individual believer’s prerogative of contributing directly to all the funds of the Faith: international, continental and national as well as local.”

Letter written on behalf of the Universal House of Justice, dated February 12, 1987, to a National Spiritual Assembly, in *Lights of Guidance*, par. 871

“The fixing of priorities is dependent on many factors, relating both to the Cause as a whole and to each individual in his or her own circumstances.

“As far as the Cause is concerned, all the work must be kept going; all the funds need to be supported, both directly by the believers, and also by the making of contributions by Bahá’í institutions from one fund to another, which do not take the place of contributions from individuals—the source of the life-blood of the Cause.

“At the level of the individual believer, attention to the needs of the funds of the Faith parallels the principles which govern multiple loyalties. The first loyalty of a Bahá’í is to the whole of mankind, for the benefit of the part is best achieved through the welfare of the whole. But this widest loyalty does not eliminate the lesser loyalties of love for one’s country, for the area in which one lives, or for one’s family. They all constitute a network of interdependent and mutually beneficial loyalties. So it is with the individual believer’s relationship to the International, Continental, National and Local Funds.

“Although the setting of priorities for contributing is a matter for personal judgment, the individual believer will certainly bear in mind the priorities of the work of the Cause as a whole.”

The Universal House of Justice, October 31, 1993

## **Support for Bahá’í Inspired Organizations**

“An increasing number of believers around the world are creating organizations dedicated to the application of Bahá’u’lláh’s Teachings to the service of humanity. The House of Justice looks with keen interest on this growing phenomenon in the Bahá’í world, but cautions the friends that in establishing such organizations they should exercise care not to become a burden on the institutions or unduly divert the contributions of the believers from the essential and primary tasks of supporting the Funds of the Faith and the activities of the institutions. In addition, it expects them to conduct their affairs according to Bahá’í moral and ethical principles.”

From a letter dated 5 November 1993 written on behalf of the Universal House of Justice to a National Spiritual Assembly

“...In the first place every believer is free to follow the dictates of his own conscience as regards the manner in which to spend his own money. Secondly, we must always bear in mind that there are so few Bahá’ís in the world, relative to the world’s population, and so many people in need, that even if all of us gave all we had, it would not alleviate more than an infinitesimal amount of suffering. This does not mean we must not help the needy, we should; but our contributions to the Faith are the surest way of lifting once and for all time the burden of hunger and misery from mankind, for it is only through the System of Bahá’u’lláh—Divine in origin—that the world can be gotten on its feet, and want, fear, hunger, war, etc., be eliminated. Non-Bahá’ís cannot contribute to our work or do it for us; so really our first obligation is to support our own teaching work, as this will lead to the healing of the nations.”

Directives from the Guardian, Shoghi Effendi

## **THE ASSEMBLY AND THE FUNDS**

### **Responsibility of Assembly to Educate**

“A corollary to the sacred obligation of the friends to contribute to the Funds of the Faith, is the direct and unavoidable responsibility of each Local and National Assembly to educate them in the spiritual principles related to Bahá’í contributions. Failure to educate the friends in this aspect of the Faith is tantamount to consciously depriving them of the spiritual benefits accruing from giving in the path of God.”

Letter from the Universal House of Justice, dated April 13, 1975, to all National Spiritual Assemblies receiving assistance from the Bahá’í International Fund, in *Lights of Guidance*, par. 841

“The National Assembly should neither feel embarrassed nor ashamed in turning to the friends, continuously appealing to them to exemplify their faith and devotion to the Cause by sacrificing for it, and pointing out to them that they will grow spiritually through their acts of self-abnegation, that the fear of poverty should not deter them from sacrificing for the Fund, and that the assistance and bounty of the Source of all good and of all wealth are unfailing and assured ...”

Letter from the Universal House of Justice, dated February 9, 1967, to various National Spiritual Assemblies, in *Lights of Guidance*, par. 869

“As it has already been pointed out ... it is important for the National Spiritual Assemblies to work out ways and means of creating a sense of belonging in the hearts of the believers. One of the ways this can be done is to bring to their attention the needs of the Fund.”

Letter from the Universal House of Justice, dated February 9, 1967, to various National Spiritual Assemblies, in *Lights of Guidance*, par. 847

### **The Treasury is the Responsibility of the Entire Assembly**

## Stewardship and Development

“The National Spiritual Assembly has the responsibility to ensure that contributions received are properly receipted, and satisfactory accounts kept of all receipts and disbursements. While the Treasurer normally is the officer in charge of such a sacred obligation, this does not mean that other members are thereby relieved of all responsibility, or are deprived of their right of access to details related to the current operation of the Assembly, in all its aspects.

“Such right and responsibility vested in the individual members of the Assembly do not vitiate the confidentiality of Bahá’í contributions, since the information made available to the Treasurer or other members of the Assembly is to be treated in strict confidence.”

Letter written on behalf of the Universal House of Justice, dated January 11, 1977, to a National Spiritual Assembly, in “The Need for Care in Handling Bahá’í Funds”, a compilation of extracts published in *Bahá’í Funds: Contributions and Administration*, Canada

## Teaching and Fund Education Intimately Connected to Growth of the Faith’s Material Resources

“Real growth of your material resources will come about through two primary means: increase in the number of believers, and increase in the effectiveness of the education of the believers concerning their spiritual obligations, among which is financial support of Bahá’í institutions.”

Letter written on behalf of the Universal House of Justice, dated April 26, 1993, to the National Spiritual Assembly of the United States

## Treasurer Held Responsible for Contributions

“It is important for your Assembly, in [the] future, to explain to persons who are entrusted with the money of the Faith that in view of the National Assembly’s obligation to protect Bahá’í funds, the Assembly will hold them responsible for all monies they receive, and they should therefore render proper accounts to the National Spiritual Assembly, be faithful custodians of God’s trust, and be assured that such honesty and faithfulness will be richly rewarded from on High.”

Letter written on behalf of the Universal House of Justice, dated May 18, 1980, to a National Spiritual Assembly, in *Lights of Guidance*, par. 864

## Assistance for the Treasurer

“Regarding the local funds, it is suggested that until such time as the friends have developed the habit of contributing regularly and freely, any Local Spiritual Assembly which has a large community might appoint a small committee to assist the local Treasurer in the discharge of his responsibilities. Such committees could be appointed after consultation with the Auxiliary Board member or assistant for the area. Great care must be taken in the appointment of the members of the committees; they must be both trustworthy and conscientious and must be imbued with awareness of the importance of maintaining the confidentiality of contributions to the funds.”

Memorandum issued by the Universal House of Justice entitled “Development of the Local and National Funds of the Faith”, included with a letter, dated August 7, 1985, to National Spiritual Assemblies

## Stewardship and Development

A Treasury Committee would serve a number of functions, as suggested by the House of Justice:

- To render general assistance to the Treasurer, as needed, to issue receipts or keep the accounts.
- To arrange inspirational talks and discussions at Nineteen Day Feasts or at specially called meetings.
- To receive donations of money on behalf of the local Treasurer and make deposits under the Treasurer's supervision.

To receive gifts in kind, arranging for their sale and for handing over the proceeds to the local Treasurer.

- To receive written pledges from the friends.
- To assist with the Online Contribution System

The assistant treasurer does not have to be member of your community, and can reside anywhere.

### **Contributions Are Voluntary**

“In connection with the Institution of the National Fund and the budgetary system set forth in the minutes of the National Spiritual Assembly, I feel urged to remind you of the necessity of ever bearing in mind the cardinal principle that all contributions to the Fund are to be purely and strictly voluntary in character. It should be made clear and evident to every one that any form of compulsion, however slight and indirect, strikes at the very root principle underlying the formation of the Fund ever since its inception. While appeals of a general character, carefully worded and moving and dignified in tone are welcome under all circumstances, it should be left entirely to the discretion of every conscientious believer to decide upon the nature, the amount, and purpose of his or her contribution for the propagation of the Cause.”

Letter from Shoghi Effendi, dated January 10, 1926, to the National Spiritual Assembly of the Bahá'ís of United States and Canada, in *Bahá'í Administration: Selected Messages 1922-1932*, pg. 101

### **Contributions from Young People**

“Any Bahá'í can give to the Cause's Funds, adult or child. ... Bahá'í children have always given to the Cause, everywhere.”

Letter written on behalf of Shoghi Effendi, dated August 18, 1949, to the National Spiritual Assembly of the United States, in *The Compilation of Compilations, Vol. 1*, p. 308

## Stewardship and Development

“The initiatives that youth can take in various fields of development, education and administration is great indeed. It is essential that, from an early age, they learn to shoulder their responsibilities, including their sacred duty to contribute generously to the funds of the Faith.”

Email written on behalf the Universal House of Justice, dated December 17, 1998, to the National Youth Committee of India

### **Assembly Must Determine Whether Gift Supports Budget or is Separate**

“We fully realize the problem of additional clerical work in forwarding small contributions to the Holy Land ... but care must be taken not to violate for any reason the right of the individual believer to earmark his contribution.

“The need, therefore, is to make clear to the individual believers and local Spiritual Assemblies how they should express their ear-markings so that the National Assembly can know whether a contribution is intended to be towards any particular segment of the national budget or to be a separate contribution merely passed through the National Assembly. In view of the Guardian’s statement one should assume that, unless there is an indication to the contrary, an earmarked contribution is intended to be over and above the allocation made out of the National Fund.”

Letter from the Universal House of Justice, dated January 18, 1996, to the National Spiritual Assembly of the United States

### **Accounting for Earmarked Contributions**

“Care must be taken that the purpose of earmarking is not defeated. Thus the use of earmarked funds to defray the expense of particular items in your budget has the effect of reducing, pro tanto, the amount of general contributions needed to be applied to the budget. In effect, this practice may result in there being no difference between an earmarked contribution and one not earmarked. For example: A friend may earmark a contribution for the Bahá’í International Fund. To apply this to the contribution to the Bahá’í International Fund from your National Fund would be wrong unless the earmarking so specifies. Funds earmarked merely to the Bahá’í International Fund should be sent to the World Center in addition to whatever contribution is made from the National Fund.”

Letter from the Universal House of Justice , dated January 29, 1971, to a National Spiritual Assembly, in *Lights of Guidance*, p. 264

“This question of proper accounting for earmarked funds is very important. The account books of any Assembly should be designed in such a way that will always clearly distinguish between earmarked funds and funds freely at the disposition of the Assembly, so that there will be no danger

of the Assembly inadvertently commingling them and spending earmarked funds for the wrong purpose.”

Letter from the Universal House of Justice, dated August 6, 1984, to a National Spiritual Assembly, in *Lights of Guidance*, p. 265

“We have been asked to call your attention to the principle that earmarked funds such as those for the purchase or maintenance of properties, for special teaching projects, etc., should not be used for other purposes, but should be held in a special account until expended for the purpose for which they were given. This is true whether the funds are from the World Center, from individuals or from other sources. If the project for which the funds have been given is abandoned, the contribution should be returned to the donor unless he agrees that it may be used for other purposes. Strict adherence to the principles regarding the earmarking of funds is extremely important for many reasons, including the maintaining of the confidence of the friends in matters pertaining to the Fund.”

Letter from the Universal House of Justice, dated January 29, 1971, to a National Spiritual Assembly, in *Lights of Guidance*, p. 264

## **When Earmarking Instruction Cannot Be Observed**

“The beloved Guardian was very emphatic that contributions to Bahá’í funds, given for specified purposes, may be used only for those purposes, unless the donor consents to a change. If the Assembly cannot use the contribution for the purpose specified, it may refuse to accept it. Alternatively it could consult the donor and suggest that he release the contribution for general purposes or transfer it to another specified one, but no pressure should be exerted to force his acquiescence. On the other hand, once money has been contributed to an Assembly, it is the property of that Assembly, even though earmarked for a specific purpose, and the donor has no right to change its purpose unilaterally. The Assembly, however, may, at its own discretion, accept his request to do so.” Letter written on behalf of the Universal House of Justice, dated December 30, 1984, to a National Spiritual Assembly

## **Fundraising**

“... The House of Justice feels that it is important for the friends never to lose sight of the fact that contributing to the funds of the Faith is a spiritual responsibility and privilege of profound significance in the spiritual life of the individual believer, and care must be taken not to trivialize this aspect of Bahá’í life by applying to it too many ‘gimmicks’ or treating it with a lack of dignity. At the same time, the Assemblies should not dampen the enthusiasm of those friends who, having only slender financial resources, devise imaginative ways of earning money for the work of the Faith.

## Stewardship and Development

“Within this framework, there is clearly a difference in the range of activities open to individuals and those which it would be befitting and dignified for a Spiritual Assembly to engage in or sponsor.”

Letter written on behalf of the Universal House of Justice, dated July 8, 1984, to the National Spiritual Assembly of Chile

“Such gatherings for collections of funds are permissible if it is done with a true spirit of sacrifice, not when the audience is especially aroused to a frenzy and mob psychology is used to induce them to pay.

“Shoghi Effendi has repeatedly stated that no pressure should be used upon the friends and psychological pressure falls under that category. But there is much difference between such gatherings often used by religious bodies, and a true quiet, prayerful atmosphere when a person is, of his own accord, aroused to make some sacrifice. The distinction is very delicate, but it is for the Chairman to use his power to see that one desirable form is not corrupted into the other. All the activities of the Cause should be carried through in a dignified manner.”

Letter written on behalf of Shoghi Effendi, dated May 28, 1932, *The Compilation of Compilations*, Vol. 1, p. 537

“There is clearly no objection to an Assembly’s giving contributions in kind to a professional auctioneer to sell and then to use the proceeds for the Fund. Whether it would be proper to hold such an “ordinary auction” among Bahá’ís would depend upon the Assembly’s judgment as to whether a properly dignified atmosphere could be observed and also whether it could be construed as bringing pressure to bear upon the friends to contribute which would, of course, be undesirable. In general the House of Justice prefers not to encourage such auctions for the Fund.”

Letter written on behalf of the Universal House of Justice to a National Spiritual Assembly cited in a letter to the National Spiritual Assembly of Malaysia, dated May 26, 1982, in *Lights of Guidance*, par. 877

“As to the sale of personal items for the benefit of Bahá’í funds, we begin with the principle that any believer may sell personal services or goods to anyone and do with the proceeds as he wishes, including giving any or all of them to Bahá’í purposes. In doing so, however, he should not represent to non-Bahá’ís that such a sale is for the benefit of a Bahá’í fund as it is also a principle that it is improper to solicit funds from non-Bahá’ís in the name of the Faith for any purpose. This includes the sale of food and admission to entertainment.”

Letter written on behalf of the Universal House of Justice, dated April 1, 1968, to the National Spiritual Assembly of Panama, in *Lights of Guidance*, par. 849

“In reviewing your Minutes for 15 March 1967, we note Item 25-8 which the Treasurer suggests a lottery as a means of disposing of a Persian carpet which had been given to you by one of the believers. We do not feel this is an appropriate way in which to raise funds...

Letter of the Universal House of Justice, dated July 4, 1967, to a National Spiritual Assembly, “Extracts Concerning Gambling, Lotteries and Raffles, a compilation of the Universal House of Justice”, in *Lights of Guidance*, par. 1201

## Stewardship and Development

“As to participation in Bingo games by a Local Spiritual Assembly with the intention of contributing to the Fund, we do not feel it is appropriate for funds for the Faith to be raised through games of chance or raffles.”

Letter of the Universal House of Justice, dated January 29, 1973, to a National Spiritual Assembly, “Extracts Concerning Gambling, Lotteries and Raffles, a compilation of the Universal House of Justice”, in *Lights of Guidance*, par. 1204

“There is, however, a wide range of fund-raising activities in which Bahá’ís may engage. For example, Bahá’í institutions are free to approach governments or institutions which hold themselves out as wishing to fund charitable activities, to apply for grants to assist in specific humanitarian projects. A Bahá’í School which has both Bahá’í and non-Bahá’í pupils is free to raise funds for its own development by such activities as concerts, etc... or by appeals to parents; in this instance, a humanitarian institution is clearly identified, and the funds are being collected in its name rather than in the name of the Faith. Another example is that of a Bahá’í who wishes to sell an item he owns to the general public for a fair market price; he is free to use the proceeds for any purpose he wishes, including contributing them all or part to the Bahá’í Fund provided he does not represent to the public that the sale is being conducted for the benefit of the Faith.

“There would be no objection to the Bahá’í community’s joining with others to give a concert or undertake some other similar activity to raise funds for a deserving charity. Such activities or even the making of donations to humanitarian work should be, and should be seen to be, acts of sincere assistance and cooperation. In choosing to engage in such fund-raising, a Bahá’í community would need to ensure that assisting the charity would not have partisan political implications or support purposes contrary to the interests of the Faith. It would need to watch carefully that its involvement in such activities does not divert its energies from the vital work of teaching the Faith and consolidating its Institutions.”

Letter written on behalf the Universal House of Justice, date August 20, 1987, to the National Spiritual Assembly of the Bahá’ís of Canada

“Pledges can be useful as a means of encouraging contributions and of bringing the financial needs of the Cause to the attention of the friends. This method can be particularly helpful in a situation where a Spiritual Assembly has a major task to perform, such as the building of a Hazíratu’l-Quds or the establishment of a tutorial school, and needs to have some idea in advance of whether the funds for the project will be available. However, it would be entirely contrary to Bahá’í principles to bring any pressure to bear when calling for pledges or when endeavoring to collect them. Once a pledge has been given it is permissible to remind the donor, privately, of his expressed intention to contribute and to inquire courteously if it would be possible for him to honor his pledge, but Assemblies must be aware that such pledges are not an obligation in any legal sense; their redemption is entirely a matter of conscience. Lists of those making pledges must not be publicized.”



## Stewardship and Development

Memorandum issued by the Universal House of Justice entitled "Development of the Local and National Funds of the Faith", included with a letter, dated August 7, 1985, to National Spiritual Assemblies

### **Humanitarian Issues**

"It is understandable that Bahá'ís who witness the miserable conditions under which so many human beings have to live, or who hear of a sudden disaster that has struck a certain area of the world, are moved to do something practical to ameliorate those conditions and to help their suffering fellow-mortals. There are also situations in which an individual Bahá'í or a Spiritual Assembly is confronted with an urgent need which neither justice nor compassion could allow to go unheeded and unhelped. How many are the stories told of 'Abdu'l-Bahá in such situations, when He would even take off a garment He was wearing and give it to a shivering man in rags. But in our concern for such immediate obvious calls upon our succour we must not allow ourselves to forget the continuing, appalling burden of suffering under which millions of human beings are always groaning—a burden which they have borne for century upon century and which it is the mission of Bahá'u'lláh to lift at last. The principle cause of this suffering, which one can witness wherever one turns, is the corruption of human morals and the prevalence of prejudice, suspicion, hatred, untrustworthiness, selfishness and tyranny among men. It is not merely material well-being that people need. What they desperately need is to know how to live their lives—they need to know who they are, to what purpose they exist, and how they should act towards one another; and, once they know the answers to these questions they need to be helped to gradually apply these answers to everyday behaviour. It is to the solution of this basic problem of mankind that the greater part of all our energy and resources should be directed...

"...There are mighty agencies in this world, governments, foundations, institutions of many kinds with tremendous financial resources which are working to improve the material lot of human beings. Anything we Bahá'ís could add to such resources in the way of special funds or contributions would be a negligible drop in the ocean. However, alone among men we have the Divinely-given remedy for the real ills of mankind; no one else is doing or can do this most important work, and if we divert our energy and our funds into fields in which others are already doing more than we can hope to do, we shall be delaying the diffusion of the Divine Message which is the most important task of all."

From a letter written on behalf of the Universal House of Justice to the National Spiritual Assembly of Italy, November 19, 1974

### **Support for Bahá'í Inspired Organizations**

"As to whether fund appeals can be made by individuals, committees or agencies for the support of their activities, this is a secondary matter that is left to the discretion of your National Spiritual Assembly. A Bahá'í-inspired development organization is free to seek financial support from those Bahá'ís who have a personal association with it, as, for example, in the case of a school contacting

regular contributors, alumni or the parents of the students. However, these organizations must have the approval of the relevant National Assembly before making a general appeal to the Bahá'í community.”

From a letter dated 30 December 2009 written on behalf of the Universal House of Justice to a National Spiritual Assembly

## **EFFECTIVE STEWARDSHIP OF THE FUNDS**

The functions of any Baha'i Treasury fall into two main categories: fund education, which the previous pages have covered extensively, and the stewardship aspect, which comprises receiving and recording of funds from contributors, budgeting of funds that will be needed for the year, the actual policies governing the expenditure of funds and their proper record keeping, certain principles of investment within the Baha'i context, and the audit process and its significance in protecting those involved with the custodianship of the Baha'i Funds. The following excerpt from the Universal House of Justice captures the two functions of Baha'i Treasury in summary:

“While the friends have the sacred obligation and privilege to contribute to the Fund, each Local and National Assembly also has the inescapable duty of educating itself and the believers in the spiritual principles related to Baha'i contributions, to devise simple methods to facilitate the flow and receipt of contributions, and to formulate effective procedures to ensure the wise expenditure of the funds of the Faith.”

The Universal House of Justice, memorandum dated 7 August 1985 to National Spiritual Assemblies, Messages from the Universal House of Justice, 1963–1986, no. 435.6

### **Treasurer's Basics**

#### **GETTING STARTED**

As we continue to mature as Baha'i communities trying to translate Baha'u'llah's vision into reality, the work of the treasurer in community after community is becoming more pronounced. In most cases friends who are elected in this role of the treasurer, some for the very first time dealing with matters of finances on this scale, find it helpful to have a document such as this where they can find

## Stewardship and Development

basic guidelines to follow in fulfilling their new role. It is suggested here that as a new treasurer or even a veteran one, you go through the following list to make sure that your Assembly's treasury functions are in good order.

### A. Check with the Office of the Treasurer to determine that your Local Spiritual Assembly has an Employee Identification Number (EIN).

- The Internal Revenue Service requires that each Local Spiritual Assembly obtain its own EIN. If you find that your Assembly has not yet applied for an EIN, you will need to do so as soon as possible. The EIN 36-3981492 or 36-2170876 (which are for the National Spiritual Assembly) should not be used for any Local Spiritual Assembly. If your Assembly has either of these EINs please be sure to apply for a new one.
- You may apply for a new EIN online to get an instant IRS EIN/Federal Tax ID number and confirming letter. The standard EIN name format for a Local Spiritual Assembly is "Spiritual Assembly of the Baha'is of (community name)"; the state is not included in the name; for Registered Groups, the format is "Baha'is of (community name)".

For online application use this link: <https://www.irs.gov/businesses/small-businesses-self-employed/apply-for-an-employer-identification-number-ein-online>.

- You may also request an EIN using Form SS-4 for submission through the mail using this link: <https://www.irs.gov/pub/irs-pdf/fss4.pdf>
- If you use form SS-4, be sure to put code 9508 in line 9a, which asks for Group Exemption Number (GEN). GEN 9508 identifies your Assembly as a subordinate entity of the National Spiritual Assembly as required by law for all 501(c) (3) organization.
- Upon notification of your EIN by the Internal Revenue Service, please report your number to the National Spiritual Assembly at [finance@usbnc.org](mailto:finance@usbnc.org) or by calling 847-733-3472.

### B. Checking Account for the Local Baha'i Fund

- Make sure that there is a functioning checking bank account for your Local Spiritual Assembly. If there isn't one then urgently open one. When you open your checking account, order checks which have the name of your community's Local Fund printed on them. If, for example, you live in Bountiful, Utah, your checks should show "Baha'is of Bountiful" or "Spiritual Assembly of the Baha'is of Bountiful" if the wording can fit. Most important is the name "Baha'i" and the name of your locality should appear on the check.
- To make the best arrangement for your Assembly, you should compare the services offered by several banks. Many provide free checking to religious organizations.
- Typically the Treasurer is one of the **official check signers** on the Assembly's bank account.
  - Usually this requires a trip to the bank by the new signers accompanied by the old check signers.

## Stewardship and Development

- There should be at least 2 people authorized to sign on all accounts.
- There are new banking government rules for all business organizations such as ours called “Know Your Customer” rules.
  - These apply to all account holders regardless of their extended history with the bank.
  - Most banks are now requiring that to make any change to an account, one must produce:
    - a copy of the official IRS letter generated after an online application to apply for an Employer ID Number (EIN) that should be kept in your files;
    - a Letter of Affirmation which shows an association between the community and the National Assembly; this is available on request from the Treasurer’s Office; and
    - 501(c)(3) Letters –Tax Exempt Affidavit and Group Exemption Letter for the National Spiritual Assembly.
- The Office of the Treasurer can provide any documents your local bank requires in order to open a non-profit checking account, with the exception of the IRS EIN letter.
- Note that IRS documents for the National Spiritual Assembly can be obtained from Treasurer’s Tools online at [www.bahai.us/community](http://www.bahai.us/community).

### RECEIVING DONATIONS FROM THE FRIENDS

At this point it should be pointed out that our Baha’i communities are not necessarily immune from habits considered contrary to the spirit of our Faith. Especially in matters of the funds of the Faith, those in custodianship have to be particularly vigilant lest even a perception of misuse of the funds be entertained. This excerpt below by The Universal House of Justice assists to elaborate this point:

“It should hold regular meetings and ensure that all its members are currently informed of the activities of the Assembly, that its Secretary carries out his duties, and its Treasurer holds and disburses the funds of the Faith to its satisfaction, keeping proper accounts and issuing receipts for all contributions.”

—The Universal House of Justice, letter dated 30 July 1972,  
*Lights of Guidance*, no. 167

#### C. Importance of Keeping Receipts

Proper procedures require that a receipt be issued for each individual contribution. In the case where an Assembly still uses traditional methods of bookkeeping, that is, a physical receipt book is maintained, it is necessary to have duplicate receipts for each contribution—one copy for the donor and the second copy for the record. Issuing of receipts for donations is a good business practice. It

## Stewardship and Development

creates a permanent record of all transactions for the Baha'i Funds. Furthermore, a complete receipt record protects the donor, the treasurer and the entire Assembly, keeping in mind that legally all nine members of the Local Spiritual Assembly have a fiduciary responsibility for the Local Fund. Some communities have members who prefer not receive donation receipts until the end of the year when such receipts are needed for tax purposes. This means that the treasurer must keep good records of each donor's contributions knowing that a single receipt will be done in a lump sum once a year. But this does not mean detailed records should not be kept for each donor. In the general sense, a monetary contribution receipt should have:

- Donor's name
- Date
- Amount
- Name of the Assembly
- Signature of the Treasurer or other authorized person
- Earmarking or designation, if any
- Be sure to number the receipts consecutively, if issued manually. Numbered receipts leave a better "audit trail."

Our National Spiritual Assembly has made it much easier for all contributions made through the Online Contribution System (OCS). For these online contributions, receipts are created as soon as a donation is made and can be obtained by the donor at any time after the donation; the local treasurer should not also create a receipt.

Assembly treasurers will find it prudent to keep themselves informed of certain issues, governmental or otherwise, that affect contributions. Such matters may include, but are not limited to:

- Be informed of tax changes that may affect all aspects of giving and the documentation required for receipting gifts.
- Keep up to date with changes to the tax laws affecting not-for-profit organizations in relation to:
  - New substantiation requirements for donors, and
  - New disclosures for charities.
- Call the Office of the Treasurer if you have any questions about these matters.

*Prepare receipts to the donors.*

- The method of distributing receipts will also vary from community to community, depending on the way contributions are accepted. If someone hands in a contribution at Feast, the Treasurer may want to prepare a receipt immediately, particularly for cash contributions. If contributions are placed in envelopes, receipts can be returned the same way. Whatever method you use, make the giving and receipt process both efficient and confidential. For localities that choose to hold Feast in several sectors, donations should be turned over to an authorized individual, who will then calculate the total amount contributed and hand over the contributions in a sealed envelope to the local Treasurer before the next Assembly meeting.

*What about Receipts for Loose Change?*

- Often loose change is contributed anonymously or by children. The Treasurer must issue a receipt to “Anonymous” and;
- The Treasurer must prepare a receipt for all contributions coming into the Local Fund; other income must be receipted or properly recorded in the Cash Journal. The Treasurer should also write duplicate receipts so that a copy can be kept on file.
- If cash is contributed anonymously in a meeting that includes non-registered individuals, then the funds can be put into a humanitarian Fund to be used for humanitarian causes. If the Assembly doesn’t have such a Fund it can either create one or it can forward the funds to the National Humanitarian Fund through the National Fund.

D. In-Kind Contributions

- When the friends contribute something other than money (such as a gold pin) to the Fund, first the Treasurer needs to log the item in an inventory book of non-cash items. A simple notebook or spreadsheet will serve for this purpose. Then, she attaches a tag with the corresponding inventory number to the item. The log would then include the number, the donor’s name, the item’s description, the contribution date, the Bahá’í Fund that the offering was intended for, appraised value (if available), the selling date and selling price. Such items should be kept in a secure location or lock box.
- Issue a receipt in such situations by giving only a written description of the donated item on the receipt. The donor, not the Treasurer, is responsible for proving how much a gift is worth if the Internal Revenue Service should ask.
- If the donor wants to deduct the value of the donation as a charitable contribution on their federal income tax return, they must do the following:
  - If the value is in excess of \$5,000, **the donor** should have a qualified independent appraiser value the item as of the date of the gift.
  - The **appraiser** gives the donor an appraisal report and Internal Revenue Service Form 8283 with the appraiser’s section filled out and signed.

## Stewardship and Development

- The **donor** will need to submit Form 8283 (Noncash Charitable Contributions) to the local Bahá'í Treasurer to sign and indicate the date of the gift.
- The **Treasurer** returns form to the donor who attaches it to his income tax return for the year in which the donation is claimed as a deduction.
- The **Treasurer** should make a copy of all Forms 8283 signed for donors and keep them on file.
- If the item is sold within two years of the date of its donation, the Treasurer must file an Internal Revenue Service Form 8282 (Donee Information Return) with the IRS and send a copy to the donor.

It might be best to ask the donor if they would prefer selling the item herself, giving the proceeds to the Fund. The donor may have an easier time disposing of the item than the Treasurer.

### A. Selling a Contributed Item – Not for Fundraising

- The Treasurer may be called upon to sell an item given as a gift to the Bahá'í Fund. It does not matter who purchases it, Bahá'í or non-Bahá'í, since the money is exchanged for the original gift to the Fund at a market price. The sale should, therefore, be recorded in the cash journal as a contribution matching the proceeds from the donated item.
- The amount of the sale counts toward the community's contribution goal in the month the item is sold even though it may have been given to the Fund several months earlier. The item's value cannot really be established until it is sold, so to enter any figure when the gift is first received would distort the Assembly's financial picture.

### B. Donated Real Estate

- The following are the steps that should be taken when a gift of real estate is offered to the Assembly:
  - The Assembly must first decide whether it wishes to receive the property; occasionally, Assemblies may gracefully decline to receive such a gift, and it has the right to do this. Some of the factors that might cause an Assembly to decline the gift would be earmarking restrictions the Assembly cannot comply with; the condition of the property and whether costs would have to be incurred in making the gift salable; a negligible market value or a reliable assessment that the property could not be sold in a reasonable period of time, subjecting the Assembly to tax and other expenses; or the presence on the property of an environmental hazard.
  - Before committing to receive the property, the Assembly should have certain inspections made, especially those that would detect toxic chemicals or other hazards the donor may not know are present, but the Assembly does need to do its "due diligence" in the matter. The cost of such inspections should be discussed with the donor, who may be willing to bear all or part of the expense; and then the

## Stewardship and Development

Assembly must decide whether it is willing to incur the expense in order to obtain the benefit of the gift.

- Once agreement is reached, the donor's lawyer prepares a deed transferring the donor's interest in the property to the Bahá'í institution (that is, "for the benefit of Spiritual Assembly of the Bahá'ís of [Your Town]"). The lawyer should have the deed recorded in the county recorder's office in the county where the property is situated and then send the recorded deed to the Assembly. It is also very helpful if the donor can send the Assembly a copy of the donor's title policy or abstract of deed.
- The Assembly should issue a receipt to the donor acknowledging the donation of real estate "situated in the City or Town of ..., County or Parish of ..., State or commonwealth of ..., commonly known as (and then give the mailing address for the property)." The receipt should acknowledge the gift as of the date the deed is recorded. No dollar value should be stated in the receipt. The receipt should also state that no goods or services were furnished to the donor in consideration of this gift.
- At the time the property is received the Assembly will need to notify its insurance agent to determine if it needs to obtain (or "bind") insurance coverage effective on the date of receipt. Insurance may not be needed for vacant land, but it will certainly be needed if there are any structures on the property.
- If the donor wants to deduct the value of the donation as a charitable contribution on his federal or state income tax return, the process is like the one used for In-Kind contributions (see above):
- If the value is more than \$5,000, the donor should have a qualified independent appraiser appraise the real estate as of the date of the gift. The date of the gift for tax purposes is the date the deed is recorded. The appraisal must be completed and presented to the donor before he files his tax return. The appraiser will give the donor the appraisal report and IRS Form 8283 with the appraiser's section filled out and signed.
- The donor will need to send Form 8283 to the Assembly to sign and indicate the date of the gift. The Treasurer must sign the form and return it to the donor who then attaches it to his income tax return for the year in which he claims the donation as a deduction. The Assembly should photocopy and keep on file all Forms 8283 signed for donors.
- After the Assembly receives the deed, it will usually want to contact a reputable real estate agent and list the property for sale on a multiple listing basis. Assemblies are not in the real estate business, so holding a property as an investment is usually not



## Stewardship and Development

a good idea unless the Assembly can look to very knowledgeable people, Bahá'ís or not, for reliable advice on the market.

- A number of things should be considered in selecting an agent. The agent should be able to demonstrate some experience with sales of similar properties, and should outline the marketing strategy to attract buyers. The agent should be able to provide information on comparable sales and prices in the area.
- The Assembly should place an expiration date on the listing that is in line with custom and usage in the area; normally this is not more than 6 months. The agent's commission should be commensurate with the custom in the market, and is usually negotiable. The Assembly will need to keep in touch with the agent and receive periodic progress reports.
- The Assembly may also need the services of a lawyer to represent them in the sale. Many states, however, use escrow companies to transfer title, and lawyers are not needed. A title company typically will act as the escrow agent. The title company does a title search, issues a title insurance policy, draws up the deed and settlement statement and computes all of the expenses involved. After all of the documents are ready and the funds are on deposit, the title company will close the transaction.
- In states that do not use escrow companies, an attorney will be needed to order the title insurance or abstract the deed and represent the seller at the closing. In most instances the realtor can recommend a lawyer for this purpose. The lawyer can be used to review and approve any contract terms in a purchase offer, but the Assembly of course makes the final decision on whether to accept an offer and enter into a contract to sell.
- The attorney handles all communications with the buyer's attorney, and the realtor will handle communications with the buyer or the buyer's realtor.
- After an offer has been received, the Assembly needs to decide whether to accept the offer "as is" or to propose a counter offer with different terms. Normally, any offer a buyer proposes is answered with a counter offer. The Assembly will need to consult with legal counsel before signing any offer or making any counter offer as there are a number of important protections that need to be in place and in effect in the counter offer.
- After the contract is signed, the lawyer prepares the documents to close the deal. In order to accomplish this, they will need a certified copy of the Assembly's "resolution to sell." they will then prepare a deed, affidavit of title, seller's closing statement and various other documents for the Assembly to sign and return. It may be useful to give the attorney a power of attorney to sign any other papers as may be needed at the closing.

## Stewardship and Development

- When the property is sold, the Assembly will need to be sure to cancel any insurance coverage it may have on the property. Also, if the property is sold within two years of the date of its receipt by the Assembly, the Assembly must file IRS Form 8282 and send a copy to the donor.

### C. Contributions of Stock

- There are two ways that your Assembly can receive offerings in the form of stock shares: broker to broker and via stock certificates.
  - Broker to Broker - The Treasurer should ask the donor to instruct his broker to transfer the stock to a broker used by the Assembly. If the Assembly does not have a broker, it will want to find one if it expects to get gifts of this kind. Referrals from friends known to the Treasurer and the Assembly are a good starting point in the search for a good broker. The Assembly's broker will inform the Assembly on the day the stock is received into the Assembly's account. The Assembly would normally give the order to sell the stock immediately; again, Assemblies are not in the investment business and holding the stock means the Assembly is speculating on its future value.
  - Stock Certificate - When the donor has possession of a stock certificate which is in the donor's name, the Treasurer would instruct the donor to send the stock certificate by certified or registered mail to the Assembly, together with a letter stating that the stock is a gift to the Local Spiritual Assembly; the gift may be made without restrictions or, if the donor has a specific purpose in mind, with the expressed wish, hope and desire that the proceeds of the stock's sale might be used for a particular fund or project.
  - Also, the Treasurer should instruct the donor to sign a blank stock power (a form that transfers control of the stock to the Assembly) and mail it separately, for security reasons, by regular mail to the Assembly. The Treasurer sends the stock certificate and the signed stock power by certified mail to the broker used by the Assembly with instructions to sell the stock.
  - The donor should not go to the trouble of having a certificate issued in the name of the Local Assembly. The transfer can be done as described above.
- Issuing Receipts for Gifts of Securities
  - Upon receiving the securities, the Treasurer should prepare a receipt as of the date they are received and indicate the number of shares and a description of the securities. The IRS requires the donor to determine the value of the donation based on the closing price for the security on the date the donor places the shares in the mail, or in the case of an electronic transfer, the date of the transfer. It is not necessary, and may in some instances prove misleading for tax purposes, for the Treasurer to specify a value for the securities if he values the shares on any date

## Stewardship and Development

other than the correct date for tax purposes. If the donor wants to know the value on the date of receipt by the Assembly, it is permissible for the Treasurer to indicate that information on the receipt as long as the receipt clearly marks that the value is as of the date of receipt, and that for tax deduction purposes the proper value is as of the date of mailing or transfer.

### D. How Are Contributed Expenses Receipted?

- Here is another situation that might cause difficulty in issuing a receipt. The friends will often travel or purchase an item at the direction of the Spiritual Assembly and ask that their expenses be counted as a contribution to the Fund.
- Only expenses incurred at the request of or with the prior permission of the Assembly need to be receipted. The Assembly is not obligated to issue a receipt for any expense for which it did not request or give prior approval.
- They should provide the Treasurer with expense reports and actual bills supporting it. After the Treasurer confirms the accuracy of the expense report, they should issue a receipt for the contributed expenses. Be sure to list the amount both as a contribution AND as an expense in the Cash Journal.

## COMMUNITY EXPENDITURES

### A. Contributions for National and other Bahá'í Funds

- Sometimes friends in the community will make their contributions with the expressed “wish, hope or desire” that they be passed along to the International Bahá'í Funds, besides the local Fund. These donations are called designated funds and should not be mixed with the local contributions. Any interest earned on money for other than local Funds while it sits in the Assembly's bank account also belongs to those Funds and not to the local Fund. These funds must be dispersed to where they were intended to go without long delay.
- Note that these kind of contributions ARE NOT to be counted towards the local Fund goal, unless the donor specifically indicates that the donation is to assist the Assembly's budget goal of contributing to a particular Fund. For example, the Assembly as an institution has its own special relationship to other Funds such as National and International Funds. It budgets for these Funds in its budget as part of expected expenditure. The Assembly uses its discretionary funds it receives over the course of the year to meet this budgeted expense. An individual, on the other hand, has his or her own relationship to different Bahá'í Funds including local, national, and international Funds. The individual can make contributions to these other Funds through one institution, usually the Local Fund or National Fund. Using the National Fund as a vehicle of contribution, the individual uses the Online Contribution System (OCS) to make his or her contribution to the local Fund through the National Fund, and the National Fund in turn distributes back to local Funds all contributions made by individuals to their local Funds. The National Spiritual Assembly cannot count these local funds as part of its contributions or part

## Stewardship and Development

of its Fund goal as they are just pass through. The same concept applies to the local contributions designated for other senior Funds of the Faith.

### Earmarked or Restricted Funds

- There is a slight difference between earmarked funds and designated funds. As indicated above, designated funds are basically funds that are just passing through one institution but are not necessarily restricted. Using the Internal Revenue Service (IRS) terminology, designated funds are discretionary (only difference is that the institution receiving it passes it over to the international fund). These contributions can be used as tax deduction items. On the other hand, earmarked or restricted funds are not discretionary by the receiving institution unless they meet certain conditions or criteria. For example, a donor making a \$500 contribution with a stipulation that these funds are to be used to purchase a local Assembly meeting table is in effect an earmarked or restricted donation. The Assembly must use this donation only for the purchase of a meeting table. That is only when these funds can be released from restriction status. Similarly, a donation earmarked for an international fund may not be used for any other purpose and would not be tax deductible to the donor.
- The Local Spiritual Assembly makes the decision as to whether to accept an earmarked or restricted contribution and whether it should be counted towards local Fund goal.

### General Community Expenditures

One of the Treasurer's functions is to make sure that all bills for the Assembly are paid. There are several points to remember each time we spend money from the Local Fund.

- First, be sure that the Assembly approves all expenses. Routine bills, however, can be given general approval on a continuing basis. There should be a clear policy on how the expenditures are approved. For example, there could be a policy that any expenses exceeding a certain limit must be approved by certain members of the Assembly or others that may require the whole Assembly's approval.
- Second, make sure that bills are paid on time.
- Third, Keep proper records of paid bills, making sure that they tie to the disbursements report in whatever financial system or recording system may be in use.
- Fourth, if your Local Assembly is operating a local bookstore or Bahá'í center, it should consider establishment of a separate bank account so that all related expenses are drawn against this account. For a bookstore, this account should be used to deposit all the proceeds from sales of books and to purchase inventory. Please contact the National Treasurer's office for information on procedures to set up the accounting for a bookstore.

## A LARGER COMMUNITY HAS MORE COMPLEX NEEDS

Growing communities require development of relatively complex systems of finance and

## Stewardship and Development

accounting. Currently, such communities are learning how to collaborate with other institutional agencies of the Faith. For example, agencies such as the Area Teaching Committees (ATCs) are often supported by mature Local Spiritual Assemblies financially. Also, communities with complex institute activities, where friends are asked to assist by covering the costs of home front pioneers to an extent, are required to develop efficient methods of capturing these costs so as to be able to produce accurate reports of real cost of the institute activities. This section, therefore, covers the following topics:

- How to get an effective financial or accounting system with checks and balances for proper bookkeeping;
- Provide some guidelines on how to prepare a comprehensive budget;
- How to develop an effective method of collecting funds from sectors of a community;
- How to adopt the best investment policy for the community assets while keeping the high standards of the Faith;
- Management of fixed assets in collaboration with a Baha'i Center Assistance Corporation agent;
- Aspect to keep in for running and maintenance a community bookstore;
- The importance of obtaining property and liability insurance;
- What it means by sponsoring community activities;
- Aspects to consider in preparing financial reports to the Spiritual Assembly, the community, and other external agencies; and
- The importance of selecting a reputable external audit accounting firm for the Assembly books auditing.

Below are some steps an Assembly can take as its community expands.

### A. Automating the Treasury

An Assembly may consider purchasing a computer, or at least ensure that it has access to one. Currently, of the nearly 1,000 Local Spiritual Assemblies, over 700 have signed up to utilize the NSA's Online Contribution System (OCS). This system has features and modules that enable Assemblies and community members to make their contributions to different Funds electronically, thus making it easier for all to develop special relationships with various Funds of the Faith. Listed here are steps an Assembly may consider to automate its accounting system:

- Make sure that the Assembly has a reliable, easy-to-use financial system. Software needs for each Assembly may vary depending on the locality's size. A simple spreadsheet program like Excel may be all that is needed for one Assembly. In other cases, a more comprehensive package such as QuickBooks, Quicken, Sage 50, etc., may be required to serve the needs.
- The process of obtaining a financial system for a community should be thorough and, if necessary, employing advice from reputable and reliable experts in the community

## Stewardship and Development

(regardless of whether they are Bahá'í or not). As always, reach out to the Office of the Treasurer at the Bahá'í National Center with any questions about this.

### B. Keeping a Cash Journal

The cash journal is a kind of diary that the Treasurer will need to keep in recording every cash transaction that happens in the Local Fund. A traditional paper ledger may be used, or a computer spreadsheet, or a more complex commercial accounting software (e.g. QuickBooks) that automates these tasks. In any case, the basic process will be the same. The information contained in the cash journal helps to:

- Keep the Assembly's checking account up to date.
- Provide background information on all money taken in and money paid out of the Local Fund.
- Categorize expenditures according to the Assembly's budget.
- In most accounting programs, the cash journal is set up using a double-entry system, which means that every amount is recorded twice. This allows checking for accuracy of all transactions made in the system while saving time in the long run. For example, a \$100 donation will be recorded as cash in the cash account on the cash journal; and the same will be recorded as contribution in the contribution account. So to check its accuracy, the cash in the bank must equal the contribution recorded as being received in the Treasurer's book.

### C. Using A Cash Journal On A Spreadsheet

On the Baha'i Administrative website under "Forms & Manuals" page, there is "Treasurer's Tools" link that should be familiar to the Assembly Treasurer, if not the whole Assembly. On the "Treasurer's Tools" page under the "Accounting" section there is a link to a spreadsheet that is referenced in the guidelines below for describing on how to set up a cash journal on a spreadsheet called "Accounting Worksheet for LSAs (XLSX)". Here is the link to the spreadsheet for convenience: <https://www.bahai.us/community/forms/treasurers-tools.html>

The spreadsheet has different worksheets or tabs starting with the "Budget Information" and then listing all the nineteen (19) Bahá'í months, ending with a "General Ledger" sheet and receipts sheet called Rec#101-500. This particular section discusses how to create a general ledger as demonstrated on the "General Ledger" tab (sheet) for those who opt to use it as a financial recording system.

- Each column of the cash journal should have a heading. Working from left to right, as in the spreadsheet provided on the Treasurer's Tools, make a column for the DATE, the DESCRIPTION of the entry, the CHECK NUMBER and the RECEIPT NUMBER.

## Stewardship and Development

- The next three columns have the general heading of CASH IN BANK. This is where the record of the Assembly's checking account is kept. Under CASH IN BANK, the first column is titled Deposits and is where money going into the checking account is recorded. The next column, where we record money paid out, is titled Checks. Finally, there's a column to keep track of the checkbook Balance, which goes up or down every time a deposit or a check is entered.
- The remaining cash journal headings are taken from the community's budget. Under the general heading of INCOME, money coming into the Fund is described either as a Contribution or as Other Income. Under the general heading of EXPENSES, money paid out is described by recording the amount under one or more related budget categories. The Treasurer might need columns for such expenses as:
  - The Bahá'í International Fund (BIF).
  - The Continental Bahá'í Fund (CBF).
  - The National Bahá'í Fund (NBF).
  - Regional Bahá'í Council (RBC).
  - Administrative expenses—postage, stationery, hall rental and refreshments for Feasts; liability insurance (the Assembly receives an annual bill from the National Spiritual Assembly); Post Office box rental, computer supplies, telephone bills, etc.
  - Scholarships.
  - Education—children's classes, institute teacher expenses, special consolidation programs.
  - Teaching—Firesides, audio-visual aids, transportation, extension teaching activities, etc.
  - Proclamation—literature, hall rental, speaker expense, publicity, refreshments, etc.
  - Other expenses—unusual expenses such as an inter-community activity that may not fit into another category. Property is another example—used only if the Assembly owns real estate (land or buildings).

### D. How Do I Use the Cash Journal?

- Now that the cash journal is set up, you are ready to begin making journal entries. These should be made in ink. However, you might use pencil when totaling each column in case there is a math error.
- Recording Contributions in the Cash Journal
  - We have already seen that when the Treasurer takes in contributions to the Fund, they should make out a receipt for each gift. However, it is not necessary to make a separate journal entry for every receipt. Instead, the Treasurer should total current receipts and enter this amount on one line of the cash journal. For example, receipt numbers 101–110 are totaled and one entry is made for \$200.00 rather than making several smaller entries (see line 6 of the sample cash journal).

## Stewardship and Development

- To make an entry in the cash journal, first write the DATE, the DESCRIPTION, and the RECEIPT NUMBERS used. Next, total the receipts and enter the amount as a Deposit under CASH IN BANK, increasing the Balance by the same amount. Then record the amount as a Contribution under the general heading INCOME (or EARMARKED CONTRIBUTION, as applicable). Be sure to deposit all money in the bank as soon as possible!
- Tips On Recording Unusual Income
  - Whenever the Assembly sells something it owns (e.g. a filing cabinet), or receives a contribution designated for another Fund, the income is recorded in much the same way a regular contribution would be. The difference is that the amount should be entered in the Other column under INCOME.

*Note:* Contributions given “in support of the Assembly’s budget” should be listed as Contributions to the Local Fund since they count as part of the Assembly’s budget goal. Contributions over which the Assembly is not given discretion, that are not in support of a specified budget category, are handled differently, as “other income” or “earmarked contributions.”

- Recording Expenses in the Cash Journal

Expenses are recorded in much the same way that income is. First, the DATE, DESCRIPTION, and the CHECK NUMBER are recorded. If bills are paid through an external Bill Pay system, such as through your bank, you may consider recording the service’s transaction Confirmation Number as the “Check Number”. The amount is listed as a Check under CASH IN BANK and subtracted from the Balance. Moving over to the EXPENSE columns, the amount should also be entered under the proper category. This method of recording expenses allows the Treasurer to relate them easily to the annual budget and helps the Assembly see how the money is being used.

- The Use of Brackets in the Cash Journal

Every Income or Expense category has to allow for both the addition and the subtraction of money. A larger system would accomplish this by using not one but two columns under each heading. Additions and subtractions are handled through the use of brackets.

The bracket merely indicates the opposite or reverse of a usual entry. That is, whenever a bracket appears, the bracketed amount is subtracted from the column total. The result would be less income or less expense, depending upon the transaction. For example, the Treasurer may give a cash advance to an individual to purchase deepening materials for the Assembly. This expense is listed under the Education expense column. If some of the money is returned, a way must be found to



## Stewardship and Development

credit the Education category since the money originally listed in that expense area was not all spent. This is done by using brackets.

### 1. Checks that Bounce

There may be times when a contributor's check to the Local Fund will be returned by the bank. Stamping the check NSF (Not Sufficient Funds) is the bank's way of informing you that the contributor did not have enough money in the account to cover the check. Most of the time, the individual can be contacted and the check re-deposited. If this cannot be done, make an entry in the cash journal and subtract the amount of the check from the Deposit, Balance and Contributions columns.

### 2. Totaling Columns Each Bahá'í Month

Every 19 days the Treasurer should add up the entries in each column and write the sums on the line described as Total (month). This shows at a glance what happened under each column during those 19 days. Next the Treasurer adds these totals to those of past months to arrive at the Total Year-to-Date figures. These updated totals enable the Treasurer to see how much money has been received or how much has been spent in each column since the beginning of the year. Having these totals available in the cash journal makes it easier to prepare monthly and year-to-date reports to the Assembly and the community.

### 3. Balancing the Monthly Bank Statement

This task is quite simple if it is done regularly, as soon as the bank statement arrives, and a cash journal that is current will help. Along with the statement, you will receive canceled checks and deposit slips (or images of them). Set up a form like Figure 1, below, to make sure that your records agree with those of the bank. Many times, the bank will provide such a form on the back of their statement. Follow up on checks which have been outstanding for more than two months. If there are ever problems balancing the account you can ask the bank or another Treasurer in your area for help.

#### A. Keeping Your Cash Journal Accurate

The following procedures should be carried out each month to make sure that all additions and subtractions are correct.

First, take the Balance under CASH IN BANK at the start of the month and add the month's total INCOME. Then, subtract the month's total EXPENSES. The remaining amount should be the same as the final Balance under CASH IN BANK. For an additional check, take the month's beginning Balance under CASH IN BANK, add total Deposits for

## Stewardship and Development

the month and subtract total Checks for the month under CASH IN BANK. Again, the remaining amount should be the same as the final Balance under CASH IN BANK.

### Figure 1: Form for Balancing the Bank Statement

We can use a similar procedure for checking the year-to-date totals. Begin this time with the starting Balance for the Year (in the example, \$50), adding the year-to-date INCOME and subtracting year-to-date EXPENSES. The results should be the same as the final Balance under CASH IN BANK. If the right Balance does not come up, check each entry and addition carefully.

The second test of the year-to-date addition takes the starting balance for the year as explained above, but this time adds the year-to-date Deposits and subtracting the year-to-date Checks (payments). Again, the remaining amount should be the same as the final Balance under CASH IN BANK.

In summary, the four procedures for checking the accuracy of the Treasurer's work are:

1. Beginning Balance (month) + Income (month) - Expenses (month) = Ending Balance
2. Beginning Balance (month) + Deposits (month) - Checks (month) = Ending Balance
3. Beginning Balance (year) + Income (year-to-date) - Expenses (year-to-date) = Ending Balance
4. Beginning Balance (year) + Deposits (year-to-date) - Checks (year-to-date) = Ending Balance

### B. A Sample Cash Journal

On the next several pages, we have included a sample cash journal to help demonstrate the kinds of entries the Treasurer will probably encounter as the year progresses. It might be helpful to take time to examine each entry to get a better idea of how the system works as a whole. The Treasurer may want to duplicate this journal using a computer spreadsheet. If your Assembly already has an accounting program, you may want to skip to the next section.

## Stewardship and Development

1	A	B	D	F	G	H	J	K	L	N	O	P	Q	R	S
2	DATE	DESCRIPTION	Receipt/ Check #	CASH IN BANK			INCOME			EARMARKED CONTRIBUTIONS					
3				DEPOSITS	CHECKS	BALANCE	Contrib.	Other	Total	NBF	BIF	ARC	CBF	Other	Total
4	1-May	BEGINNING BALANCE				50									
5	10-May	Contributions (Earmarked BIF)	101	150		200			-		150				150
6	14-May	Contributions	101-110	200		400	150		150	10	10	20	10		50
7	14-May	Contributions (Earmarked ARC)	111-114	100		500			-			100			100
8	14-May	Bahá'í National Fund- LSA Goal	1001		140	360			-						-
9	14-May	Bahá'í National Fund	1002		300	60			-	(10)	(160)	(120)	(10)		(300)
10	15-May	Lynne Duffy (postage)	1003		10	50			-						-
11	16-May	Office Supply Co.(Stationery)	1004		16	34			-						-
12	16-May	Contributed Expense	115			34	15		15						-
13		Total Jamál		450	466		165	-	165	-	-	-	-	-	-
14		Total Year-to-Date		450	466		165	-	165	-	-	-	-	-	-
15															
16	18-May	Contributions	119-134	300		334	200		200	20	30	50			100
17	24-May	Contributions (Earmarked)	135	100		434			-		50	50			100
18	24-May	National Bahá'í Fund- LSA Goal	ACS		50	384			-						-
19	25-May	Tom Wilson (cash advance-picnic)	1005		22	362			-						-
20	25-May	Received Gold Pin	135			362			-						-
21	30-May	Tom Wilson (refund-picnic)	136	2		364			-						-
22	31-May	Sale of Gold Pin (See 5-25 entry)	137	150		514	150		150						-
23	1-Jun	Non-Bahá'í Contrib-for charity	138	25		539			-					25	25
24	3-Jun	Western University-Room Rent	1006		80	459			-						-
25	3-Jun	Community Chest-Disb Non-Bahá'í	1007		25	434			-					(25)	(25)
26	4-Jun	National Bahá'í Fund	1008		140	294			-						-
27		Total 'Azamat		577	317		350	-	350	20	80	100	-	-	200
28		Total Year-to-Date		1,027	783		515	-	515	20	80	100	-	-	200
29															
30	8-Jun	Contributions	139-142	300		594	250		250	10	10	20	10		50
31	9-Jun	Income - LSA Dev. Material	143-145	100		694		100	100						-
32	8-Jun	Bahá'í National Fund	1009		250	444			-	(30)	(90)	(120)	(10)		(250)
33	10-Jun	County Fair (Deposit on Booth)	1010		50	394			-						-
34	10-Jun	Contributions (Earmarked)	146-151	130		524			-	30	30	50	20		130
35	18-Jun	Income (County Fair)	152	120		644			-						-
36	18-Jun	County Fair (Deposit on Booth)	153	50		694			-						-
37	22-Jun	New City Bahá'í Library (County Fair)	1011		100	594			-						-
38	23-Jun	National Bahá'í Fund	1012		100	494		(100)	(100)						-
39	23-Jun	New City Bahá'í Library	1013		50	444			-						-
40	23-Jun	National Bahá'í Fund	1014		160	284			-						-
41		Total Nür		700	710		250	-	250	10	(50)	(50)	20	-	(70)
42		Total Year-to-Date		1,727	1,493		765	-	765	30	30	50	20	-	130

**Line 5** – A contribution designated for the Bahá'í International Fund.

**Line 6** – Record contributions to the local Fund and designated contributions to various Funds.

**Line 8** – Contributing to the Funds every 19 days is a priority for every community. Funds need to be sent 5-10 days after the close of each month.

**Line 14** – Monthly totals in each column are added to last month's year-to-date totals to get a new year-to-date figure.

**Line 19** – This cash advance can replace the need for the Treasurer to maintain a petty cash account.

**Line 22** – The gold pin, received on 5/25 (see line 20), is sold; a receipt goes to the buyer and the sale amount is recorded as a Contribution.

**Line 23** – A non-Bahá'í gives \$25 in memory of a Bahá'í relative; the gift is accepted and in the thank-you note, the donor is advised the money will be used for charity.

**Line 25** – Records the contribution to the charity of the non-member's gift.

**Line 31** – Records money from individuals to cover cost of LSA development materials from the National Assembly.

## Stewardship and Development

1	A	B	D	T	U	V	W	X	Y	Z	AA	AB	AC	AD
2	DATE	DESCRIPTION	Receipt/ Check #		NBF	BIF	ARC	CBF	ADMINISTRATION	EDUCATION	TEACHING	PROCLAMATION	OTHER	Total
3	1-May	BEGINNING BALANCE												
4														
5	10-May	Contributions (Earmarked BIF)	101											-
6	14-May	Contributions	101-110											-
7	14-May	Contributions (Earmarked ARC)	111-114											-
8	14-May	Bahá'í National Fund- LSA Goal	1001	90	20	20	10							140
9	14-May	Bahá'í National Fund	1002											-
10	15-May	Lynne Duffy (postage)	1003						10					10
11	16-May	Office Supply Co.(Stationery)	1004						16					16
12	16-May	Contributed Expense	115								15			15
13		Total Jamál		90	20	20	10		26	-	15			181
14		Total Year-to-Date		90	20	20	10		26	-	15			181
15														
16	18-May	Contributions	119-134											-
17	24-May	Contributions (Earmarked)	135											-
18	24-May	National Bahá'í Fund- LSA Goal	ACS	50										50
19	25-May	Tom Wilson (cash advance-picnic)	1005							22				22
20	25-May	Received Gold Pin	135											-
21	30-May	Tom Wilson (refund-picnic)	136							(2)				(2)
22	31-May	Sale of Gold Pin (See 5-25 entry)	137											-
23	1-Jun	Non-Bahá'í Contrib-for charity	138											-
24	3-Jun	Western University-Room Rent	1006									80		80
25	3-Jun	Community Chest-Disb Non-Bahá'í	1007											-
26	4-Jun	National Bahá'í Fund	1008	90	20	20	10							140
27		Total 'Azamat		140	20	20	10		-	20	-	80	-	290
28		Total Year-to-Date		230	40	40	20		26	20	15	80	-	471
29														
30	8-Jun	Contributions	139-142											-
31	9-Jun	Income - LSA Dev. Material	143-145											-
32	8-Jun	Bahá'í National Fund	1009										County Fair	-
33	10-Jun	County Fair (Deposit on Booth)	1010										50	50
34	10-Jun	Contributions (Earmarked)	146-151											-
35	18-Jun	Income (County Fair)	152										(120)	(120)
36	18-Jun	County Fair (Deposit on Booth)	153										(50)	(50)
37	22-Jun	New City Bahá'í Library (County Fair)	1011										100	100
38	23-Jun	National Bahá'í Fund	1012											-
39	23-Jun	New City Bahá'í Library	1013							50				50
40	23-Jun	National Bahá'í Fund	1014	90	20	20	10						20	160
41		Total Núr		90	20	20	10		-	50	-	-	-	190
42		Total Year-to-Date		320	60	60	30		26	70	15	80	-	661

**Line 33** – The Spiritual Assembly of New City, as the sponsor of an inter-community activity, has made a down-payment on a booth for the County Fair. Note that the Treasurer establishes a separate account for this event labeled County Fair.

**Line 35** – The amount recorded under the EXPENSE area County Fair is placed in brackets to show that money is coming into this column as income instead of going out.

**Line 36** – Records a contribution to the New City Assembly for the Fair booth. The contribution is recorded both as a deposit and in brackets under County Fair, so the “Income” columns don’t change.

**Line 37** – Records the amount paid to the Bahá'í librarian for literature used in the booth.

**Line 38** – The money received on line 31 is sent to the National Assembly by a check made payable to the National Bahá'í Fund. Since this money is a payment for materials, it’s not recorded as a contribution to the National Fund.

**Line 39** – Records the amount paid by the Assembly when buying materials from the local Bahá'í librarian. The local library should monitor its own bank account and records. This allows the librarian to be fully responsible both for sale items and the money used to pay for them. The librarian sells materials to the Local Assembly the same way that materials are sold to individuals.

**Line 40** – Records New City’s regular contribution to the National Fund plus the money remaining for the Fair Project after expenses. It was agreed in advance by each community supporting the project that money left should be sent to the National Fund.

## I. MAKING REPORTS

As the Local Spiritual Assembly's "financial manager," some important aspects of your job are to carry out the details of handling and reporting the Assembly's finances, to help the friends understand the spiritual nature of giving and to inspire them to show their love for the Cause by supporting its activities. With your records up to date, the next task is to let the friends know what has happened in the Fund. The first several chapters of this manual look at some of these issues; here we are going to see how current records can make communications with the Assembly and the community more effective.

- A. Make regular reports to the Local Spiritual Assembly on total income and expenses, community participation, money in the bank and bills to be paid.

The Assembly should always be aware of the condition of the Local Fund. To ensure that the Assembly is well-informed the Treasurer has been given the added responsibility of making regular reports. The Assembly needs to know, among other things:

- The amount of money that was received in contributions and whether or not the community has reached the monthly contributions goal.
- Any additional revenues received.
- The amount of money that was spent during the month and how it was spent.
- The amount of money currently in the bank.
- The percentage of the friends who contributed to the Local Fund during the month.
- The bills that need to be paid.
- Whether the community is ahead or behind in reaching its annual contributions goals.

In order to assist the Secretary and reduce errors, it is a good idea to give a copy of the Treasurer's report to the Secretary for the Assembly's minutes.

- B. Make regular reports to the community at Feast including:

- Education on the spiritual nature of giving and sacrifice.
- The status of the community's Fund contribution goal each Bahá'í month.
- The percentage of the community giving to the Fund each Bahá'í month (strive always for universal participation).

This is one place where the Treasurer's role as an educator and inspirer comes into play. When the Treasurer reports, at Feast and at other times, they should not only be concerned with bringing the friends up to date on the status of the Funds, but they will

## Stewardship and Development

also want to discuss the spiritual nature of giving and the importance of sacrifice. Other information for the friends might be the participation level in giving; the Assembly and the Treasurer will want to decide how to make these reports based on the community's needs and objectives.

### C. Special Materials Will Help You

Reporting to the community can be one of your most rewarding duties as Treasurer. Many of the materials needed to prepare an interesting report are already at your fingertips. They include the following:

- Articles from The American Bahá'í.
- Periodic reports and letters from the Treasurer of the National Spiritual Assembly.
- Deepening programs on the Fund available from the Office of the Treasurer.
- The Bahá'í Treasurers Bulletin (BTB ) is an electronic newsletter for Treasurers sent in time for each Feast. It is emailed to the dedicated email addresses for each Treasurer and Secretary of the Local Assembly.
- The BTB is designed to assist and strengthen Treasurers in their role as stewards of the Fund, and contains the latest news updates, helpful tips, frequently asked questions and community stories and activities related to the Fund.
- Access to current and back issues of the BTB may be obtained by visiting [bahaitreasurer.us](http://bahaitreasurer.us).

### D. Preparing the Monthly Report of Income and Expense

For Assembly meetings and Feasts, it is a good idea to prepare a Monthly Report of Income and Expense Form similar to the one below.

This report should include the Balance in the bank at both the beginning and the end of the month, totals for the month's Income and Expenses, and bills to be paid. The Treasurer should also report what percentage of the community participated in giving to the Fund and whether or not the monthly contributions goals were met. Most of this information can be taken from the monthly totals in the cash journal. Preparing this report each month will help present reports for Assembly meetings and Feasts in a clear and organized way.

Stewardship and Development

SPIRITUAL ASSEMBLY OF THE BAHÁ'IS OF NEW CITY			
Report of Income and Expenses			
Beginning Cash Balance,	May 18, 1997		<u>\$ 34.00</u>
<b>INCOME</b>			
	Contributions	<u>\$ 350.00</u>	
	Other	<u>—</u>	
	<b>Total Income</b>		<u>\$ 350.00</u>
<b>TOTAL INCOME &amp; BEGINNING CASH BALANCE</b>			<u>\$ 384.00</u>
<b>EXPENSES</b>			
	National Bahá'í Fund	<u>\$ 140.00</u>	
	Bahá'í International Fund	<u>\$ 20.00</u>	
	Arc Projects Fund	<u>\$ 20.00</u>	
	Continental Bahá'í Fund	<u>\$ 10.00</u>	
	Administration	<u>\$ —</u>	
	Education	<u>\$ 20.00</u>	
	Teaching	<u>\$ —</u>	
	Proclamation	<u>\$ 80.00</u>	
	Other	<u>—</u>	
<b>TOTAL EXPENSES</b>			<u>\$ 290.00</u>
<b>EARMARKED CONTRIBUTION PAYABLE:</b>			
	National Bahá'í Fund	<u>\$ 20.00</u>	
	Bahá'í International Fund	<u>\$ 80.00</u>	
	Arc Projects Fund	<u>\$ 100.00</u>	
	Continental Bahá'í Fund	<u>\$ —</u>	
	<b>Total</b>		<u>\$ 200.00</u>
Ending Cash Balance @	June 4, 1997		<u>\$ 294.00</u>
<b>—Additional Information —</b>			
	Total Outstanding Bills		<u>\$7.35</u>
	Participation		<u>92%</u>
	Monthly Goal Won	Yes ( <input checked="" type="checkbox"/> )	No ( <input type="checkbox"/> )

Figure 2: Monthly Report of Income and Expense

E. Preparing the Year-to-Date Report of Income and Expense

Once or twice during the year, the Assembly should ask its Treasurer to prepare a Year-to-Date Report of Income and Expenses, similar to the one in below, so that the current state of the Local Fund can be compared to the budget.

As in the monthly report, most of the figures can be taken from the year-to-date totals in the cash journal. The remaining information will come from the Assembly's budget. When completed, this report enables the Assembly to see if it is keeping within its budget.

## Stewardship and Development

SPIRITUAL ASSEMBLY OF THE BAHÁ'IS OF NEW CITY				
Report of Income and Expenses				
As of June 23, 1997				
	Annual Budget	Year-to-date Budget	Year-to-date Actual	Year-to-date Variance
<b>Beginning Cash Balance</b> May 1, 1997	\$ 50.00	\$ 50.00	\$ 50.00	\$ -
<b>INCOME</b>				
Contributions	4,800.00	757.89	765.00	(7.11)
Other	200.00	31.58	-	31.58
<b>Total Income</b>	<b>\$ 5,000.00</b>	<b>\$ 789.47</b>	<b>\$ 765.00</b>	<b>\$ 24.47</b>
<b>TOTAL INCOME &amp; BEGINNING CASH BALANCE</b>	<b>\$ 5,050.00</b>	<b>\$ 839.47</b>	<b>\$ 815.00</b>	<b>\$ 24.47</b>
<b>EXPENSES</b>				
National Bahá'í Fund	2,310.00	364.74	320.00	44.74
Bahá'í International Fund	380.00	60.00	60.00	-
Arc Projects Fund	380.00	60.00	60.00	-
Continental Bahá'í Fund	190.00	30.00	30.00	-
Administration	400.00	63.16	26.00	37.16
Education	400.00	63.16	70.00	(6.84)
Teaching	400.00	63.16	15.00	48.16
Proclamation	400.00	63.16	80.00	(16.84)
Other	100.00	15.79	-	15.79
<b>TOTAL EXPENSES</b>	<b>\$ 4,960.00</b>	<b>\$ 783.16</b>	<b>\$ 661.00</b>	<b>\$ 122.16</b>
<b>EARMARKED CONTRIBUTION PAYABLE:</b>				
National Bahá'í Fund			\$ 30.00	
Bahá'í International Fund			\$ 30.00	
Arc Projects Fund			\$ 50.00	
Continental Bahá'í Fund			\$ 20.00	
Total			<b>\$ 130.00</b>	
<b>Ending Cash Balance</b>	<b>\$ 90.00</b>		<b>\$ 284.00</b>	
--Additional Information --				
Total Outstanding Bills			<b>\$12.05</b>	
Participation			<b>87%</b>	
Number of Monthly Goals Won		Yes ( 3 )	No ( )	

Figure 3: Year-to-Date Report of Income and Expenses

The only difficult part of preparing the year-to-date Report of Income and Expenses is to figure out where the Assembly is at a certain point in time in relation to the annual budget. For example, assume that ten Bahá'í months have passed and we are preparing the half-year report. First, take the figures from the annual budget, divide each figure by 19 (the number of months in the Bahá'í year) and then multiply each by 10 (the number of months since the beginning of the fiscal year). We can now compare actual year-to-date results to the Assembly's year-to-date budget.

This report can be prepared any time during the year. For example, if the Assembly wants a quarterly report at the end of the first five months, just divide each budget



## Stewardship and Development

amount by 19 and then multiply by five. A year-to-date Report of Income and Expenses can also be used in reporting of the annual meeting on April 20th and again with the actual figures at the end of the Bahá'í fiscal year.

### II. KEEPING RECORDS

#### A. Preparing for the Annual Audit

- Arrange in order by month all bank statements, deposit tickets and paid bills. Ensure that online access to the bank account is available for viewing of paid checks, if applicable.
- Have the Assembly appoint two individuals, other than the Treasurer, to audit the Assembly's financial records. You will want to show them the steps outlined in Chapter 5.

#### B. Materials for Efficient Record Keeping

C. Setting up a good system for organizing the information related to the Fund is really quite easy. It helps to have a number of pocket file folders for such things as bank records, paid and unpaid bills and the like. The Treasurer might also want to use a three-ring binder for storing reports. In addition, the Treasurer needs to devise a method for keeping copies of written receipts in order and that access to computer-generated receipts is available during the audit.

#### Useful Tips for Record Keeping

- You should consider keeping hard paper copies on file as backups.
- After checking the bank statement each month, bundle with the deposit slips and reconciliation form or printed computer reconciliation and file by date.
- Give receipts for all income, whether in the form of contributions (including anonymous contributions and contributed expenses or other income) and file them in an orderly manner .
- Write the check number and the date paid on each bill before filing. If your checks automatically make duplicates, the duplicates can be attached to the bills before filing.
- Keep a copy of all reports, budgets, policies and other information pertaining to the Fund.

#### D. Suggested Time-Frames for Storing Records

- After setting up the files, use the following guidelines for how long to retain the Assembly's documents:

	Retention Period
Receipt stubs	7 Years
Paid bills	7 Years
Cash Journal	Indefinitely

## Stewardship and Development

Canceled checks, deposits, bank statements	7 Years
Reports to Assemblies or Feasts	5 Years
The Community's Annual Report	Indefinitely
Budget—working papers	2 Years
Savings passbook	7 Years After Closing Account
Insurance policies	2 Years After Expiration
Equipment guarantees, service agreements	2 Years After Expiration
Notes and contracts	7 Years After Expiration

Stocks, bonds, property deeds and titles should be stored in a safety deposit box at a local bank. The box should be rented in the Assembly's name and several members of the Assembly should have authorized access to it.

## Some Guidelines for Treasurers

The Universal House of Justice offered guidelines for National Spiritual Assemblies which is also relevant for Local Treasurers: "In general terms the House of Justice feels that there are certain matters to which Treasurers should give particular attention.

1. There is the relationship between the National Assembly and the individual believers and local communities. Through whatever correspondence they share with contributors to the National Fund and with committees which are drawing on the Fund for their work, the National Treasurer can be a powerful influence in establishing links of loving unity within the community.
2. The Treasurer must be sure to render regular and accurate financial statements to the National Spiritual Assembly so that it can properly plan its work within the means available to it.
3. It is the Treasurer's responsibility to prepare the annual financial report in time for the National Spiritual Assembly to consider it before presenting it at Convention. They also must prepare the annual budget for the consideration and approval of the National Assembly.
4. The Treasurer should carefully monitor the use of the Fund so that they can warn the Assembly in good time if there is danger of over- spending.
5. In bookkeeping, a system must be adopted to ensure that earmarked funds are kept absolutely distinct from those that are at the free disposition of the Assembly, and there

## Stewardship and Development

should be safeguards to prevent the inadvertent spending of earmarked funds on matters other than those for which they are intended.

6. In addition to keeping accurate records of income and expenditure, the Treasurer should see that the assets of the Assembly are protected and that both assets and liabilities are carefully recorded.
7. The Treasurer should advise the Assembly to set aside sufficient sums on a regular basis to provide for the repair and maintenance of properties owned by the Faith, so that these can be kept in good condition and so that the normal work of the Cause is not interrupted by sudden requirements of large sums for repairs. Usually the task of maintaining the properties is assigned to a special committee or committees, which should be consulted by the Assembly and can suggest a suitable amount to be set aside annually.
8. While it is within the discretion of a National Spiritual Assembly to require only one signature on checks drawn on the National Fund, experience has shown that it is better practice to require at least two signatures. This is a protection not only to the Fund itself but also to the Treasurer. The funds of the Faith are a sacred trust, and Assemblies should be meticulous in handling and accounting for them.”

Letter written on behalf of the Universal House of Justice, dated July 13, 1981, to a National Spiritual Assembly

## Confidentiality of Information

Regardless of the arrangements made for assistance in the management of the Treasury, the confidential nature of the friends' contributions should be of the highest priority. Trustworthiness is a prime requisite for the Treasurer; it is also the standard that all the friends, whether members of the Local Spiritual Assembly or not, must uphold.

Depending on the size of the community, the tasks associated with the role of Treasurer can be daunting but the responsibility is not confined to the Treasurer alone. The Local Spiritual Assembly shares this important trust and needs to support its Treasurer in achieving goals which promote the good of the entire community. In addition to a committee of helpers, the friends are free to seek the aid of bankers, trust officers and other professionals in the management of the local Treasury and even in relation to their personal finances. An alert Treasurer will bring such resources to the Assembly's attention and, in consultation, work out a plan to bring new expertise to the friends.

Beyond these most basic and vital requisites, must the Treasurer be an accountant, bookkeeper or some other professional in the field of finances? Not necessarily. The role of the Treasurer includes, but reaches beyond collection of and accounting for the contributions of the friends and the general financial transactions required to execute the financial component of community building.

## Stewardship and Development

Ideally, the office of the Treasurer serves many additional purposes. The Treasurer is the local community's educator about the Funds and contributing; the Treasurer is advisor, providing or arranging for financial counsel for the local Spiritual Assembly in the development of its plans; and perhaps most important, the Treasurer is an inspirer of the friends.

## **The Online Contribution System (OCS)**

“The Bahá'ís should not always be the last to take up new and obviously excellent methods, but rather the first, as this agrees with the dynamic nature of the Faith which is not only progressive, but holds within itself the seeds of an entirely new culture and civilization.”

Compilations, The Compilation of Compilations vol II, p. 283

The Online Contribution System (OCS) is the official application used by the National Spiritual Assembly of the Bahá'ís of the United States to receive contributions to the National Funds. OCS allows registered members of the Bahá'í Faith from the United States to make and manage their

## Stewardship and Development

individual contributions. Members may make one-time or continuing contributions of any amount, and as often as they wish. The accepted methods of payment for online contributions are checking and savings accounts and all major credit cards.

Local Treasurers may also use OCS to receive online contributions to their local Fund, and are encouraged to register to do so.

The National Spiritual Assembly exercises great care to protect any personally identifiable information, to ensure that OCS is safe and secure for use by individuals and their Assemblies.

Online contributions are the most efficient way to make contributions for the Bahá'í community and its Treasurers. They also provide financial stability for the National Assembly, and play a significant role in planning the annual budget.

More information on OCS, its capabilities, and how to register an individual or locality is available on the Treasurer's Tools page of the bahai.us community site.

# **BUDGETS, GOALS, AND AUDITS**

## Preparing a Budget

### **Who Prepares the Budget and When?**

Although the Treasurer plays an important role in preparing the budget, the Assembly as a body is responsible for developing the financial plan, as the budget is often described. The task of preparing the budget should begin in February or March with local committees submitting estimates of resources they will need during the coming year.

Alternatively, the Assembly may advise its committees how much it is prepared to provide during the coming year, based on its assessment of goals and income, and ask them how they will spend an allocated portion of the total in order to get the best results. The Assembly, possibly with the aid of a Budget Committee, then develops a proposed budget. The Budget Worksheet and the Financial Report to the National Spiritual Assembly are tools which include budget templates that may be useful; both are available in the Treasurer's Tools.

## **Set Goals for Contributions to the Various Funds**

The Local Spiritual Assembly needs to set a goal for its own contributions to the various Funds. In order to set these goals, the Assembly should consult on the amount of money it plans to provide to the Funds during the year. One method of estimating this amount is to use contributions of recent years as a guideline. The Assembly would wish to consider increasing its goals to offset the effects of inflation. When the Assembly arrives at goals that are challenging, divide this amount by nineteen. The resulting number is called the Monthly Contributions Goal; individual goals for the major Funds may also be set.

## **Contribute Regularly to All Bahá'í Funds**

There are priorities for contributions which have been set by the Guardian and the Universal House of Justice. Regular giving to all the senior Funds should be a consistent pattern for the Local Fund, just as it is for the National Bahá'í Fund. This continuous and regular flow of money through the Administrative Order strengthens the Cause both in this country and throughout the world.

Once your Assembly decides the monthly amount it wishes to contribute to the National Bahá'í Fund and the International and Continental Funds, it is then the Treasurer's obligation to make sure this contribution is sent with unfailing regularity.

The third column of the Budget Worksheet is used to develop a proposed budget for the New Year. To prepare such a budget, we suggest that the Assembly use a procedure similar to the following:

- Decide some short- and long-range goals for the growth and development of the community. These goals will be modified as programs are actually carried out and circumstances change, but by consulting about some of the alternatives, the Assembly and community increase their capacity to use new circumstances for the Faith's benefit.
- Review committee requests for resources (or make tentative resource allocations).
- Include an annual payment (currently at least \$175) to help defray the cost of the Liability Insurance the National Spiritual Assembly provides for each Local Spiritual Assembly.

## Stewardship and Development

- Estimate available resources such as money, manpower, supplies and equipment. A good way to estimate how much money you will have to work with is to look at past years' levels of contributions. Then adjust this number up or down according to the current condition of your community.
- Make plans to win your community's goals; these should be as specific as possible with room for flexibility. Decide how and when the plans will be carried out. Ideas can come from the Assembly, its committees and from the community, either at the Feast, or through meetings specially called for this purpose.
- Estimate the cost of each plan.
- Arrange the plans in order of importance.
- If it looks as if your plans are going to cost more than you will have (which is usually the case), now is the time to balance the budget. Try adjusting your plans, cutting unnecessary costs or finding less-costly ways of accomplishing the same goal—creativity is important here! Some projects may have to be eliminated, starting with those of lesser importance.
- Fill in the dollar amounts for each category of the proposed budget. (NOTE: After the first five steps have been completed, the Assembly may want to appoint several individuals—a budget committee—to develop a proposed budget for the approval of the entire Assembly.)

## Use the Budget as a Guide

Since the budget takes the Assembly's plans and goals and expresses them in financial terms, it also becomes the basis for everything the Treasurer does during the year. Checking the budget regularly ensures that resources are being used as intended. There may be times during the year when the Assembly will want to make changes in its budget due to changing conditions in the community.

## The Annual Audit

### Preparing for the Audit

The Local Spiritual Assembly is ultimately responsible to ensure the annual audit is completed. On behalf of the Assembly, the Treasurer prepares for the annual audit by following these steps:

- Online access to the bank account for viewing of paid checks should be available, and deposit tickets that are in order can be bundled with their bank statements.
- Bank accounts should be reconciled monthly and reconciliation reports retained indefinitely.

- Paid bills should be put in order by date.
- Contribution receipts should be in numerical order or viewable in the relevant computer file.

## Who Are the Auditors and What Do They Do?

We generally assume that a Bahá'í Treasurer is not only honest, but is capably handling the affairs of the Fund at all times. Though honesty and thoroughness are expected, an audit of the Treasurer's records protects the Assembly, the believers, and the Treasurer. Furthermore, the audit provides an opportunity for two independent observers to evaluate the Treasurer's methods and make constructive suggestions for improvement.

The Assembly should appoint at least two individuals (not necessarily Assembly members) to check the Assembly's financial records shortly after April 30th each year. **The Treasurer should not serve as an auditor, nor should any of his or her family members**, but the Treasurer should be available to assist. The auditors should perform the following tasks:

- Use the audit procedures provided in the Audit Worksheet which can be downloaded from the Treasurer's Tools folder.
- Check and total all receipts for the year and make sure that the same amount was deposited in the bank and that deposits were made on a timely basis.
- Be sure the bills were paid promptly and accurately.
- Prepare a statement for the Assembly reporting the results of the audit including suggestions the auditors may have for improving the Treasurer's system. Use the "sample only" form on the last page of the Audit Procedures as an example of a written report.
- Submit the original Audit Worksheet and Auditors Report to: [finance@usbnc.org](mailto:finance@usbnc.org).

## What if the Books Don't Balance?

If the auditors find errors, they should report them to the Assembly. It is then the Assembly's task to decide whether to make an adjusting entry in the books or to investigate the situation further. It is usually best to make a correcting entry for errors of only a few dollars which cannot easily be traced back to their point of origin. It is important, however, for the cash journal's CASH IN BANK to agree with the bank's records at the beginning of the new fiscal year. Carrying an error into the next year's books only complicates matters.

The Assembly may want to authorize an audit at other times during the year—after a change in Treasurer, for instance. For large communities, the Assembly may hire the services of a qualified



Public Accountant. Until your community has a center or other property, it is probably sufficient to appoint two Bahá'ís to audit the financial records.

### **What about Confidentiality?**

The Treasurer maintains records of receipts and disbursements on behalf of the Local Spiritual Assembly. These records are the property of the Assembly and, as such, are available to that body at any time. These records are held in confidence within the institution. No individual is given access to them except with the permission of the Local Spiritual Assembly.

It is up to the Assembly to select individuals who will maintain the confidential nature of the records they examine as auditors. An audit assures the believers and the Assembly that money is being handled properly. It does not jeopardize the confidentiality of an individual's contributions.

### **Audit for Larger Communities**

Communities whose annual revenues are \$250,000 or more are required to seek the services of professional audit firms to audit their finances. The external audit firm should be carefully selected by the Local Spiritual Assembly, making sure that the audit firm has religious organizations as one of its lines of work. Not all audit firms specialize in religious organizations. Caution also should be taken to make sure that external auditors actually perform a proper audit according to the high standards of the accounting profession and not a bare review.

# WILLS AND PLANNED GIVING

## Estate Planning

“Unto everyone hath been enjoined the writing of a will. The testator should head this document with the adornment of the Most Great Name, bear witness therein unto the oneness of God in the Dayspring of His Revelation, and make mention, as he may wish, of that which is praiseworthy, so that it may be a testimony for him in the kingdoms of Revelation and Creation and a treasure with his Lord, the Supreme Protector, the Faithful.”

Bahá'u'lláh, Kitáb-i-Aqdas

## Preparation of a Will

To convey their wishes clearly, it is highly recommended that the friends engage the services of an attorney who is knowledgeable in the preparation of wills. Holographic (handwritten) wills are not legal in some states and can be more easily contested in others. There are computer software packages available for will preparation which may be used as an assistance in gathering necessary information and in organizing one's thoughts, but in all cases it is advisable to have an attorney review the document by whatever means it is prepared.

## Bequests

A bequest is a gift made through the believer's will to the Bahá'í Faith. Every Bahá'í has the opportunity to make a bequest. Over the years the institutions of the Faith have benefited from the generosity of a great many believers who, in meeting their obligation to have a will and testament, have also chosen to leave a portion of their worldly goods to the Faith.

## Questions & Answers

Q. *Am I required to leave a bequest to the Faith as a Bahá'í?*

A. No. We are required to have a last will and testament, however, we are not required to make a bequest to the Faith. Bahá'u'lláh makes it clear in the Kitáb-i-Aqdas that at our passing we are free to have our estate distributed as we see fit.

Q. *Should I bequeath my estate as outlined in the Kitáb-i-Aqdas?*

A. Bahá'u'lláh has granted us the right of leaving our possessions to whomever we wish. The estate distribution outlined in the Kitáb-i-Aqdas is to be used in the event that one dies intestate—

without a will. Until such time as the laws of the Kitáb-i-Aqdas are completely in force, however, estate distribution is determined by civil law if there is no will.

Q. *Should I inform the National Spiritual Assembly that I am leaving a bequest?*

A. It is always helpful for the National Spiritual Assembly to know of your planned bequest so that the Spiritual Assembly will have the opportunity to extend its appreciation to you. The decision to inform the Assembly or not is, however, your choice.

## **Planned Giving**

Planned giving, sometimes referred to as gift planning, is the process of establishing the means and methods to make a gift, usually to charity, in this case the Faith, and usually after death. Planned giving is often part of an estate plan, particularly when the gift is made as a bequest or when a charitable gift annuity is established with the National Spiritual Assembly.

Planned giving can be as simple as naming the Bahá'í Faith in one's will. It can involve establishing a charitable gift annuity with the National Spiritual Assembly. Planned giving can also be more complex, including a variety of trust arrangements. The more complex vehicles usually require the expertise of professional estate planners or attorneys. Making gifts of appreciated securities (stocks) is also a type of planned giving. The benefits to the believer often range from considerable current and/or future tax savings on an estate, to avoiding probate entirely. (Probate is the legal process—often a lengthy one—of settling the affairs of the deceased.)

The most important thing for the local Treasurer to know, and to be able to convey to the friends, is that there are ways for the believers to arrange their affairs to benefit themselves in life, and their families at their passing, and that many of these methods also afford an opportunity to make gifts to the Faith.

## **Estate Planning and Planned Giving Resources from the Office of the Treasurer**

The following materials are available from the Office of the Treasurer.

- A Planned Giving packet is filled with information about making gifts using the methods described above.
- *The Writing of a Will* is a brochure explaining the importance of having a will and the first steps to take in meeting this law of the Kitáb-i-Aqdas.

## Stewardship and Development

In addition, the Treasurer can assist the local Assembly to:

- Make available written information about wills preparation. The Treasurer should have available copies of *The Writing of a Will*.
- Plan a wills workshop at least once each year for the community.
- Plan a separate wills workshop for youth with particular emphasis on writing the testimony. Holographic (handwritten) wills are sufficient for this purpose.
- Explore the possibility of engaging an attorney to facilitate a wills workshop to prepare simple wills—particularly for youth.
- Research the sources of estate planning and planned giving information in your community and compile a list of the specific services offered by each. These would include bank trust officers, attorneys, estate planning consultants, insurance brokers, financial advisors, tax consultants, and the Fund Development staff in the Office of the Treasurer at the Bahá'í National Center. (Be careful not to endorse any particular bank, attorney, or estate planner, etc. as this could present a liability for the Local Spiritual Assembly.)
- Consider offering informational meetings with a panel of experts where the friends can learn more about these matters. Include an estate planner and an attorney on your panel. Again, be cautious not to endorse, or appear to endorse, any particular professional and be clear with the panel participants, Bahá'í and non-Bahá'í, that it is inappropriate to use this occasion to solicit business.

"The execution of the provisions of the will causes the spirit of the deceased to rejoice in the Abha Kingdom."

Written on behalf of Shoghi Effendi

## Importance of the Will and Testament

"Unto everyone hath been enjoined the writing of a will. The testator should head this document with the adornment of the Most Great Name, bear witness therein unto the oneness of God in the Dayspring of His Revelation, and make mention, as he may wish, of that which is praiseworthy, so that it may be a testimony for him in the kingdoms of Revelation and Creation and a treasure with his Lord, the Supreme Protector, the Faithful."

## Contact

## Stewardship and Development

For more information about Planned Giving options or to schedule a presentation in your area, please contact [plannedgiving@usbnc.org](mailto:plannedgiving@usbnc.org) or call 847-733-3472

# Appendix

## Banking Relationship Policy

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*For the National Spiritual Assembly of the Bahá'ís of the United States (1998):*

This policy is not intended to apply to, or serve as a model for, the investment, control and safekeeping of funds of any Bahá'í institution except the National Spiritual Assembly.

### **Purpose:**

The purpose of this Banking Relationship Policy is to set forth operating procedures to guide the administration of the banking relationship portfolios managed by the Office of the Treasurer (the "Treasurer's Office") for and on behalf of the National Spiritual Assembly of the Bahá'ís of the United States (the "National Assembly").

All portions of this policy statement are required to be in compliance with applicable federal and state regulations. Any section of this policy not so in compliance is automatically void.

### **Responsibility:**

The Treasurer's Office will have the responsibility for carrying out this Banking Relationship Policy. The Treasurer, the Chief Financial Officer and/or the Director of Finance shall be the persons who have the authorization and the responsibility to administer and enforce compliance of their respective sections of this policy as delegated by the National Assembly.

### **Banking Relationship Objectives:**

The primary objective of the National Spiritual Assembly's banking relationships is to ensure the availability of funds at competitive prices to finance seasonal contributions shortfalls and capital projects. Secondly, banking relationships should also provide the National Assembly with the required non-credit banking services. Corollary to the primary objective, the Office of the Treasurer will endeavor to minimize the difference between the interest rate on the National Assembly's loans and investments at the same banking institution, maximize the rate of return on funds in demand accounts and minimize the cost of banking services.

### **Relationship Philosophy**

## Stewardship and Development

The most effective method of meeting the objectives stated above is through the development of long-term relationships with a small group of core banks.

The number of relationships maintained at any time will need to be balanced between the amount of business we have to offer and the willingness of existing relationship banks to increase their exposure to the National Spiritual Assembly. We want to make sure we provide meaningful business to each relationship bank; however, as the needs of the Faith grow we do not want to become overly dependent on too limited a number of service providers. We do not want to reach a point where a relationship bank is unwilling to increase its exposure to the National Assembly because we have over-concentrated our business.

### **Maintenance and Use of Credit**

Facilities for Operations:

1. The Treasurer's Office should maintain available lines of credit and/or committed facilities to ensure funds availability to finance seasonal contributions shortfalls. Lines of credit and/or committed facilities must not be used to finance long-term capital projects. Credit usage would normally not exceed ten percent (10%) of the previous twelve months' contributions. In addition, the loan balance should be reduced to zero at least once every twelve (12) months.
2. Where feasible, multi-year committed facilities may be preferable to lines of credit since funding is more assured.
3. The size and form (i.e., lines of credit or committed facilities) of available credit should be reviewed annually at the time the annual budget is announced, and whenever increases/decreases in the contribution budget are made during the year.
4. The level of available credit should be based on a month-by-month forecast of cash flow, taking into account cash reserves.
5. All borrowing under lines of credit and/or committed facilities should be on an unsecured basis and allow for prepayment without penalty.
6. Lines of credit and/or committed facilities may be appropriate for funding capital projects during construction or while long-term financing is being arranged. This period must not exceed one year, however.

### **Credit Facilities for Long-Term**

Funding Requirements:

1. The Treasurer's Office should obtain long-term funding to finance capital projects. Long-term funding must not be used to fund seasonal needs.

## Stewardship and Development

2. Long-term borrowing may be incurred on a secured basis. Where practicable, security should be in the form of a mortgage on the project being financed. The House of Worship, including all of its land and any other related fixed assets, shall not be mortgaged or otherwise encumbered. Other properties of the National Spiritual Assembly may be mortgaged only with the express written approval of the National Assembly or its designated officer(s).
3. Pledging unencumbered assets not associated with a project being financed as collateral for long-term borrowings is not recommended and should be done only in extreme circumstances and with express approval of the National Assembly or its designated officer(s).
4. Loan prepayment without penalty is highly desirable. Interest rate reductions offered by a lender in exchange for limiting prepayment options may be considered; however, since prepayment is a valuable option, particularly at higher rates. Any such interest rate reductions should be of one percent (1%) or greater.
5. The life of the loan should not exceed the expected useful life of the project financed.
6. Long-term floating rate funding must include a stipulated cap rate (i.e., a maximum increase of X percent over the life of loan).

### **Non-Credit Banking Services:**

The use of non-credit banking services should be monitored by the Office of the Treasurer. Each relationship bank should provide a regular listing of the use of each service and associated fees.

Payment for operating services should be in cash, where possible, and not in the form of compensating balances. As a general statement, because of reserve requirements, compensating balances are an inefficient form of banking compensation and should be avoided, even in connection with bank lines of credit.

### **Control of line of Credit and Accounts:**

In consultation with the National Assembly's outside auditors, controls on the maintenance and use of bank accounts and lines of credit should be periodically reviewed.

All advances under a line of credit should be evidenced by a note and/or a periodic statement of account from the lending institution.

The Treasurer's Office will, as part of its audit, confirm, or have confirmed by its auditor, all loans with each lending institution.



## Stewardship and Development

Lending agreements shall stipulate that all actions will be ordered only by a duly authorized employee or official of the National Spiritual Assembly and of the bank.

Account Operating Agreements shall provide that all transactions will be ordered and all checks will be signed by duly authorized employees or officials of the National Assembly and of the bank.

All bank account signatory additions and deletions should be approved by the National Spiritual Assembly or its designated officer(s).

### **Exceptions and Review**

It shall be the responsibility of the Treasurer's Office to determine whether a policy exception or amendment is necessary, and, if so, propose such change to the Treasurer of the National Assembly. Further approvals, including review and/ or approval by the full National Assembly, will be sought at the Treasurer's option.

This policy statement shall be reviewed periodically and amended as circumstances warrant.